

NEWS: INTERNATIONAL

EU could take lead in Bosnia next year

By Bruce Clark in Brussels

Mr Hans van den Broek, the European Union's external affairs commissioner, believes Europe should play the main role in assembling a military force for Bosnia next year, EU officials said yesterday.

They said he floated this idea during talks earlier this week with senior officials in Washington, among whom he found "widespread acceptance" of the need for some western military force in Bosnia next year.

Mr van den Broek's proposal would imply a sharp acceleration in the EU's so far tortuous efforts to develop a fully-fledged foreign and security policy, and it is likely to provoke intensive debate on both sides of the Atlantic.

The commissioner wants the EU to look urgently at which institutional arrangements could be used to provide the authority for a new peacekeeping force.

Among the available options, the force could be subordinated to the European Council - in other words, to the EU's 15 member governments - or to the 10-member Western European Union.

However, Britain will object strongly to vesting the European Council with any authority over military matters, and the WEU's tiny permanent staff are themselves doubtful of their ability to organise such a venture.

Another option seen as promising by Mr van den Broek is that a new formal US-European military co-operation - known as Combined Joint Task Forces - be put into action. Military experts have been elaborating this formula, under which European military forces could borrow US equipment, which is normally assigned to Nato, for more than two years.

But politicians on both sides of the Atlantic are likely to balk at the idea of a totally European ground force, with US air cover and logistical support.

For some US politicians this would still be a deep an involvement in the Bosnian dispute, while Europeans will fear a repeat of the problems faced by the European-led UN force in Bosnia, whose tactics were often criticised from the sidelines by the US.

In public statements the US administration is insisting that it will extract all its forces from Bosnia by December, and west European governments have said they are unwilling to stay there alone. But among senior figures involved in the peace process, both civilian and military, there is a growing belief that a wholesale withdrawal could leave a political vacuum and lead to renewed fighting.

Under one scenario widely floated by experts on the region, the US might maintain its recently established military bases in Hungary, so it could come to the rescue of its allies if they got into difficulty in Bosnia.

Incoming prime minister promises freeze on public spending in 'major drive' to meet single currency conditions

Aznar points Spain firmly down road to Emu

By David White and Tom Burns in Madrid

Mr José María Aznar, Spain's incoming prime minister, yesterday promised a "major drive" to meet the conditions for the European single currency and said the new centre-right administration would freeze public spending in real terms this year and next.

Promising Spaniards "a new style of government", a composed-looking Mr Aznar set out the main lines of his government programme in an 80-minute speech to congress, emphasising the need for consensus with trade unions, a more tightly run

civil service, deregulation, and tax and administrative reforms.

The speech came ahead of a vote in congress today when the 43-year-old Mr Aznar is due to be confirmed as prime minister with the hard-won backing of regional parties.

Having finally assembled a working majority nine weeks after his Popular party's narrow election victory, Mr Aznar vowed to make up for lost time and start talks "immediately" with employers and unions on a job-creation pact.

However, he placed his top economic priority firmly on getting Spain into the first group of single-currency countries. Mr Felipe González, the outgoing prime minister, said Mr Aznar could rely on Socialist support to fulfil the criteria. "It is perfectly possible to meet them," he added.

Mr Aznar, making clear the key aim was cutting the public sector deficit, committed the new government to reducing the shortfall from last year's 5.8 per cent of gross domestic product to 4.1 per cent this year and 3 per cent in 1997. To achieve this, he said, overall public spending would "in no event" rise by more than the inflation rate.

Conspicuously absent from his proposals were the specific income tax pledges made during the election

campaign, when the PP said it would lower the 56 per cent top rate to 40 per cent. However, he promised to review rates in a "profound reform" of the tax system aimed at stimulating savings and investment. The changes, which would be accompanied by a crackdown on tax evasion, would include steps to ease the burden on small companies.

Mr Aznar said the government would produce a "strategic privatisation plan" and improve the management of remaining state companies. A US-style budget office would be set up under the prime minister's direct authority, and legislation introduced to make the civil service "more mod-

ern, professional, austere, efficient and co-ordinated".

The government would step up the fight against corruption and demand "exemplary conduct" from politicians and public servants, he said.

In a bid to win unions' confidence, Mr Aznar promised to maintain the purchasing power of state pensions, but foresees measures to allow later retirement and promote private pension schemes.

Mr Aznar went out of his way to reinforce the PP's rapprochement with regionalist parties, referring repeatedly to the diversity of Spain and promising to complete the devolution process.

He sought to justify his party's recent agreement with Catalan nationalists on a new regional financing scheme by saying it would help to modernise the tax system, bring the self-governing regions closer to paying for themselves and avoid increasing the overall tax burden.

Mr Aznar said the PP wanted to preserve a political consensus on terrorism and foreign and defence policy. He did not omit to reaffirm Spain's claim to Gibraltar, saying that Britain would be held to its obligations to clamp down on drug-trafficking and money-laundering.

Broken promises prove an expensive commodity for Safi

Investors lose faith in Romanian mutual funds, writes Virginia Marsh

The broken promise of a billboard - which reads "Safi is more sure" - still stirs at angry investors in the Transylvanian town of Brasov. Having realised that Safi in fact means less, about 45 per cent less, Romanians have besieged the office of the financial company and attempted to withdraw deposits from its mutual fund.

"I can't believe this has happened. I thought Safi was safe. I've lost half my money and I am afraid I won't be able to take out the rest," a distraught pensioner said yesterday outside the office. Like many investors, she says she was unaware of the risks of mutual funds and thought her deposit could only increase, as with a bank account.

Romania's Securities Commission has launched an investigation into the handling of the fund, which was suspended for 10 days on Monday after announcing a 45 per cent, or \$1m, markdown in its net worth.

"Safi should have been more transparent but the authorities are at fault for not explaining to the public how these funds work and the risks involved," says an engineer, one of the few investors outside the Safi office who understood why the fund had been marked down.

Some investors were convinced the fund was about to collapse, while others thought that, because its backers include opposition politicians, it had been deliberately brought down by the government. Most people in the street were completely confused.

The troubles at Safi are part of a short but colourful history of investment failures in Romania since the end of communism in 1989. Caritas, a popular pyramid scheme, collapsed in 1994 after losing \$1bn in deposits from about 4m Romanians.

In the Safi case, the markdown occurred after the Securities Commission introduced tough regulations which, among other things, required funds to calculate their worth based on current, not prospective, earnings and assets. Financial analysts say some funds had inflated their value



Counting the cost: investors gather outside a Safi office

and the public was misled by the sector, bring local practices in line with international norms, and boost confidence in the country's fledgling capital markets and in bona fide investment funds. But analysts say the move may have backfired due to Safi's difficulties and the commission's poor handling of the situation.

"Until 1989 Romanians only had two choices as to where to put their extra cash. They could either deposit it at the CEC [The National Savings Bank] or hide it under the bed," says a Bucharest economist. "It's not surprising people are confused by the many choices they now have. At the same time, because of high inflation and the other economic problems they face, many are desperate to make their money go further."

The commission's measures were intended to strengthen

the sector, bring local practices in line with international norms, and boost confidence in the country's fledgling capital markets and in bona fide investment funds. But analysts say the move may have backfired due to Safi's difficulties and the commission's poor handling of the situation.

"I invested in Safi because it had a good track record and offered much better returns than the banks," says a retired university lecturer who withdrew his deposits two weeks ago. "It appeared to be properly regulated, unlike the pyramid schemes we had in the past. Now I'm not so sure."

Safi made public its mark-

down a month after new regulations were introduced. Other funds complied immediately and, after initially seeing deposits drop, most have begun to recover.

At the time, Mr George Danielscu, the former finance minister who founded Safi in 1983, said the fund did not need to make any adjustments as it already calculated its worth in the manner required by the new regulations.

Safi is now attempting to explain its sudden change by saying it and the commission had different interpretations about how to value some assets.

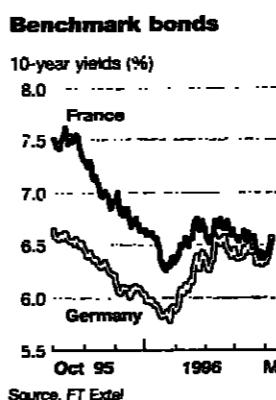
It is unclear why the commission, a relatively weak institution founded last year, did not require Safi to make the adjustment earlier and allowed it to continue to collect deposits. As well as the delays, the commission is investigating to whom the fund made payouts before the markdown was announced.

Safi officials say the fund will be able to honour its obligations when it reopens and that it can withstand withdrawals of up to 100bn lei (\$33m). Industry analysts say that even if Safi and other funds go under or have to curtail their activities, the direct impact on the economy will be relatively small.

There are only 10 mutual funds in Romania, valued at around \$330m at the end of 1995. Many now expect small depositors to switch their savings from funds back to banks. However, the problems are likely to force a shakeup in the sector and analysts predict that in future fund managers will have to target larger investors rather than small depositors and move from open-ended to closed funds.

"Open-ended mutual funds are doomed," a senior local banker says. "The confidence of small investors has been seriously shattered. These funds have little future as now, at the slightest sign of trouble, people will remove their money. I hope we can gradually rebuild the population's trust both in investment funds and capital markets in general."

Benchmark bonds



Markets offer timely present to Chirac

By David Buchan in Paris

The Gallic cockerel had something to crow about at the end of this week, as for only the second time in modern bond market history the rate on long-term French interest rates sank below German ones.

On Thursday, rates on the French government's 10-year OAT bonds first closed the "yield gap" with Germany's 10-year Bunds and then sank below Bund rates. Yesterday the rate on OATs closed at 6.51 per cent, just below 6.54 per cent on the revered Bunds.

This mark of relative approval from the markets could not have provided a better first anniversary present for President Chirac, elected on May 7 last year when the yield gap was 80 basis points (0.8 per cent) in favour of Bunds.

After last autumn's currency crises and social unrest, he and Prime Minister Alain Juppé can plausibly begin to argue that their policy of deficit reduction is paying off with renewed market confidence and lower interest rates that will eventually give the economy a boost.

But analysts were yesterday quick to silence any government tendency to crow too loudly, pointing out the bond market developments had as much to do with German weakness as with French strength.

Just as in January 1994, when OAT rates first dropped below Bund rates at a time of political weakness for the Kohl government, Mr Jean-François Mercier of Salomon Brothers noted that German bonds were currently more susceptible to fears of a rise in US interest rates.

Nonetheless he said Mr Juppé was sending the right signals to the markets with his announcement this week of public spending cuts in 1997 so that France could qualify for European monetary union.

The government's goal is to keep public spending at the same nominal level next year as this year.

This implies a real cut - taking account of inflation - of around 4 per cent, or about FFr30bn (\$8.8bn) on a budget of around FFr1.550bn. But because of the inescapable increase in some big budget items like debt service and civil service pay, the cuts in most other areas of spending will be deeper.

Bold though these plans may seem in domestic French terms, the government is aware that they may impress the financial markets less than the DM70bn (\$4.6bn) cuts announced recently by the Kohl government, and may therefore threaten the new OAT-Bund parity and other forms of convergence between the two countries.

It is argued in Paris that much of Bonn's spending cuts have yet to be negotiated with Germany's regional governments and unions, and are therefore just "headline announcements" at this stage. But precisely the same can be said of the French government's pronouncements so far.

INTERNATIONAL NEWS DIGEST

Dutch to act over cartels

The Dutch government plans to ban cartels and to set up a commission to review proposed corporate mergers. Mr Hans Wijers, economic affairs minister, said his proposal was intended to stimulate competition and counter the Netherlands' reputation for being "a cartel paradise" among European Union member states. At present, the Dutch have no anti-trust procedure and prosecution for abuse of monopoly power is rare.

The proposed legislation would require all domestic mergers exceeding FFr250m (\$150m) to be subject to regulatory review. This could affect an estimated 100 deals a year. According to the economic affairs ministry, all binding vertical pricing arrangements will also be outlawed, although this will not apply to franchises.

The ministry is also proposing to make infringements subject to a fine of FFr 1m or 10 per cent of the annual sales of the company concerned, whichever is the higher. The commission would operate under ministerial oversight for five years, after which the government's technical veto power would be reviewed.

David Braam, Amsterdam

Brussels in drug merger probe

The European Commission has begun a four-month investigation into the proposed \$90bn merger between Ciba-Geigy and Sandoz to form Novartis, the world's second-largest drugs group. After a preliminary one-month inquiry the Commission decided the deal was so large and complex it would have to be scrutinised in more detail. A final decision on what would be one of Europe's largest-ever mergers may not come until September.

The Commission said Novartis would be the world's biggest supplier of crop protection products, and second-biggest supplier in the pharmaceuticals, animal health and seed sectors. Sandoz said it was "confident" the merger would be approved, and was "not surprised" the Commission had extended the investigation, given the deal's size.

Brussels also announced yesterday that it was investigating proposals from the Dutch media venture Holland Media Group to convert the Dutch television station RTL into a 24-hour news channel. It ruled last September that the merger of Dutch-language television channels RTL and Veronica, plus Endemol Entertainment, the largest independent TV producer in the Netherlands, to form Holland Media Group, had to be restructured to avoid contravening EU competition laws.

Endemol has since withdrawn from HMG and, in an attempt to allay the Commission's remaining concerns that the venture will hinder competition in the Dutch television market, plans to convert RTL5 from a general channel into a specialist news channel.

Neil Buckley, Brussels

Tencel challenge overruled

The European patents office appeals board yesterday ruled that Lenzing's patent for lyocell, the world's first new man-made fibre for diapers, was invalid. Courtaulds, the British chemicals company, had begun manufacturing its own version of the fibre, known as Tencel, ahead of Lenzing, but the Austrian company was claiming infringement of its European process patent.

The intensity of the dispute has been fuelled by the fibre's huge market potential. Lyocell is made from wood pulp, but unlike its predecessor, viscose, it retains its strength when wet and can be manufactured into much finer fabrics. This makes it an attractive substitute for wool and cotton. Courtaulds' shares closed up 11p at 422p.

Jenny Luesby, London

Good prices for Impressionists

The impressionist and Modern art market continued its upward climb at auctions this week in New York. Evening sales at Christie's and Sotheby's totalled \$76m and \$63m respectively, with more than 80 per cent sold by both lot and value. The season's results, echoing the astonishing \$100m evening tallies in November, suggest there is no shortage of enthusiastic bidders. There is, however, a shortage of top-dollar works of art. Most of the important lots were state properties. Christie's scooped the pool with collections of Joseph Hazen, Joan Miró, Cummings and Eugene Sowolow.

Prices were sold rather than sensational. The star lot at Christie's was an atypical Van Gogh, one of perhaps 10 paintings of cafes or restaurants. It changed hands at \$10.3m. Hazen's luscious Degas pastel of a woman in a tub fetched \$8.4m. His Joan Miró Cubist, "Backgammon" made \$3.8m, a record for the artist at auction.

Sotheby's great success was Monet's "Les Meules, Giverny, Effet du Matin", one of five of his earliest paintings in the grain stacks series. It sold to a Japanese dealer for \$7m, more than it had made when offered in 1989 at the height of the market.

Susan Moore, London

Mobil signs up for Tengiz field

Mobil and Kazakhstan signed a final agreement yesterday for the US oil company to buy a quarter stake in the \$20bn, 40-year joint venture to develop the huge Tengiz oilfield on the Caspian shore. Mobil joins Chevron, which has a half share in the three-year-old Tengizchevroil venture. Kazakhstan's share falls to a quarter. Sale terms were not disclosed.

The deal comes less than a week after a landmark protocol was signed to form a new consortium - including Chevron and Mobil - to build a oil export pipeline to pump Tengiz crude through Russia to the Black Sea. The Tengiz field has recoverable reserves of 6bn-8bn barrels. Output now is 100,000 b/d, but is expected to peak at 700,000 b/d by 2010.

According to Mr Nurlan Balgimbayev, oil minister, after royalties, taxes, transit fees and duties, Kazakhstan would still earn 72 per cent of profits from Tengizchevroil. Chevron and Mobil would split the rest.

Reuter, Almoty

Norway oil strike looms

Vietnam succumbs to US fast food invasion

By Jeremy Grant in Hanoi

For fast food junkies in Vietnam, the news is good. But for the country's guardians of cultural correctness, the opening of a Texas Chicken outlet in Ho Chi Minh City today may be a little difficult to swallow.

The restaurant, the first US fast food outlet in Vietnam, is a joint venture between Atlanta-based America's Favorite Chicken (AFC) and PT Cintra Selera Murni of Indonesia, owned by Mr Atang Latief, an ethnic Chinese businessman.

The restaurant, located within striking distance of foreign-financed hotels and office blocks, belongs to the same chain that owns Popeye's Chicken & Biscuits in the US. It can accommodate 100 people and features Texan motifs on its walls. The menu is simple: "southern fried chicken".

Although upmarket restaurants serving western-style food are common in a city with a growing foreign community, the food culture - as throughout Vietnam - is still based on the twin staples of rice and noodles. Yet AFC has plans to open 10 Texas Chicken outlets in Vietnam by 2000.

The price of a plate of chicken has not yet been disclosed, but locals are unlikely to find it a strain on the wallet. With an average annual per capita income of \$850, Ho Chi Minh City has started to attract a range of foreign investors in the leisure, restaur-

There has been an undercurrent of discomfort at 'unwelcome foreign influences'

rant and ice-cream business, chasing increasing purchasing power.

The fact that Texas Chicken is partly backed by an ethnic Chinese will no doubt help ensure the venture's success. Business in Ho Chi Minh City is dominated by those with Chinese connections, usually specialising in small-scale retail projects like restaurants and hotels.

Another restaurant venture is planned for Ho Chi Minh City by Mr B S Ong, the Singapore-based tycoon who plans to open a branch of the Hard Rock Cafe franchise, which he owns.

The timing of the launch of the US fast food concept in Vietnam is perhaps unusual, coming three months after the authorities started a campaign against "social evils", mostly prostitution, drugs and gambling. But there has been an undercurrent of discomfort at "unwelcome foreign influences".

As part of the drive, signs bearing foreign brand names and logos have been painted over.

Still, the existence of a Texan logo in bright red and yellow colours over the new restaurant may not grate too much with the Vietnamese government officials invited to today's opening ceremony. Some of them may already be familiar with the fast food concept.

Vietnamese and Thai entrepreneurs have opened a number of low-budget restaurants in the city centre in the last year. One such establishment operating on a main street until recently and serving barbecued chicken used Vietnamese lettering to style itself "Ca-Li-Pho-Ni-A".

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UN fails to agree outright ban on landmines

By Frances Williams in Geneva

The United Nations and humanitarian organisations yesterday vowed to step up their joint campaign for a complete ban on anti-personnel landmines, after representatives of more than 50 governments adopted a UN treaty merely to strengthen controls on their use and export.

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would have been killed and a further 80,000 wounded by landmines, he said. "Furthermore, 100 to 250 landmines will have been added to the 110m already cleared."

Some 34 countries have expressed their support for a ban and more than a dozen have unilaterally removed the use of anti-personnel landmines, most of these since the

start of talks in early 1994 to revise the 1980 UN treaty on inhumane weapons.

Nearly 50 nations are observing a UN call for a moratorium on all or some landmines, including almost all those countries which used to be important exporters.

But big landmine producers, such as Russia, China, India

and Pakistan, oppose a ban, saying they still see a military need for mines to defend their borders. The US is said to be considering a phase-out but only by 2010.

Canada yesterday announced its intention to host a conference in Ottawa in September to mobilise support for an international landmine ban, to be attended by like-minded governments and non-governmental organisations. Officials said the Canadian government planned to submit a resolution to the UN general assembly and would be pressing at the June meeting of the Organisation of American States for a "landmine free zone" in the western hemisphere.

Diplomats involved in the treaty revision, adopted after Pakistan withdrew earlier

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NEWS: UK

Saudi stake in power company is disclosed

By Patrick Harverson
in London

The Saudi-controlled investment company closely involved in buying a 12.5 per cent stake in National Grid three days ago had previously taken an interest in 2.7m of the British transmission company's shares, it has emerged.

The news is likely to heighten political concern about ownership of the UK electricity industry. Only yesterday Midlands Electricity, one of the largest regional electricity companies, confirmed it was in takeover talks with a US utility, General Public Utilities, the New Jersey-based utility, is believed to be the suitor, although at least two other US groups are also interested in acquiring the British company.

The US utilities separately approached the company last week after Mr Ian Lang, the trade and industry secretary, unexpectedly blocked a bid for the company by PowerGen and a separate offer for Southern Electric by National Power, another generator.

Mr Lang's decision shocked the stock market, as did Thursday's additional announcement by the government that it would use its "golden shares" in National Power and PowerGen to block any bids for the generators until there was increased competition in the power generation industry.

The warning was partly intended to discourage another

US utility, Atlanta-based Southern Company, from pursuing an acquisition of National Power. Yesterday senior executives of Southern flew back to the US, indicating the group had decided to abandon its plans for a takeover of the generator.

Growing overseas interest in the UK electricity industry was highlighted by the news on Tuesday that the Olayan Group, a Saudi-controlled investment company, had become closely involved in the purchase from Hanson, the industrial conglomerate, of a 12.5 per cent stake in National Grid by stockbroker HSBC James Capel.

The group, controlled by Saudi financier Sheikh Sultan S Olayan, helped Capel buy the 210m shares by agreeing to enter a derivatives contract to protect the firm against a fall in National Grid's share price. Capel subsequently reduced the stake to 12.2 per cent.

However, it emerged yesterday that Olayan's involvement with the transmission company extended further. In the past few months it has accumulated an interest in 2.7m National Grid shares through other derivative transactions.

The reasons for Olayan's interest in Capel in the transmission company are unknown, but National Grid had talks with the group on Thursday and described its meeting as "constructive".

Society may lose pensions cash

By Norma Cohen in London

Halifax Building Society could lose millions of pounds of deposits from pension schemes whose members are being denied bonuses when the society, a mutually owned savings and loan institution, converts to a bank next year.

At least one scheme, covering more than 50,000 employees of J Sainsbury, the supermarket chain, is threatening to withdraw about £5m of its members' money. The funds are additional voluntary contributions (AVC) to the pension scheme which can be cashed only when members retire.

Managers of the £4bn (£6.04bn) pension scheme are also believed to be considering withdrawing their members' AVC funds from the Halifax for similar reasons.

Halifax, the country's leading society, has about £123m on deposit in such contributions from members in about 400 pension schemes.

The society is expected to float on the stock market next year following its merger last year with the Leeds Permanent society. Investors are to receive free shares, but the amount to be distributed is not clear.

Halifax has told the Sainsbury pension scheme that, because AVC funds are held in deposit accounts, these

investors are not deemed to be society members, only depositors. However, Mr Geoffrey Pearson, manager of the £1.8bn scheme, said the contributions were long-term investments and that the fund's members ought to be rewarded accordingly. "We want to do the best thing for our members," he said.

Mr Pearson said he had tried to convince Halifax to extend share or bonus payments to scheme members. Last month he wrote to the Halifax noting that scheme members were earning an annualised rate of 5.6 per cent on their AVCs compared with a rate on Tessa tax-free savings accounts of 5.6 per cent, plus a further bonus on flotation.

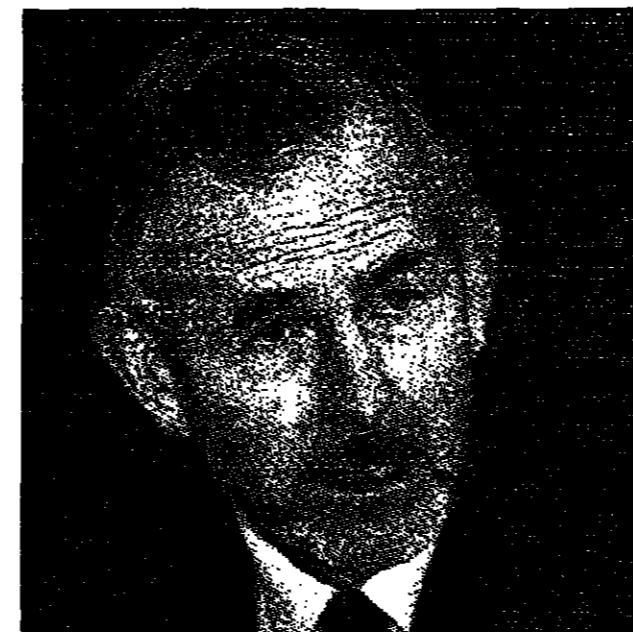
He warned in his letter: "As I am sure you are aware, a revolt is developing throughout the pensions industry which may well undermine your flotation plans."

The Sainsbury pension scheme offers members a choice of three different providers with which AVCs can be invested. Halifax was chosen in 1988, and scheme members have been putting about 81m of their AVCs there a year. Roughly 12 per cent of Sainsbury scheme members have AVCs.

Halifax declined to comment on the Sainsbury scheme's move, saying it could not discuss its clients.

Very much in the public interest

Graeme Odgers, chairman of the Monopolies and Mergers Commission, explains how it safeguards competition in the electrical power industry



Graeme Odgers: convinced of soundness of regulatory system

The Financial Times in its leader on mergers in the electrical power industry (April 25) invited me to reaffirm my commitment to the principle of stimulating competition. I do so without hesitation. But I find it ironic that the invitation should come the day after the publication of two Monopolies and Mergers Commission reports which are centrally concerned with competition in the electricity industry.

I also find it disturbing that, before the publication of our reports, a number of reputable commentators should have placed reliance on an account of a leak claiming that the MMC had reached its conclusions on the basis of a "national champions" argument. The leak is of course deplorable for wider reasons.

The MMC's task was to determine whether either of the mergers resulting from the bids by National Power for Southern Electric and by PowerGen for Midlands Electricity – might be expected to operate against the public interest. As is set out in the published reports, we examined competition in the electricity generation and supply markets in depth, first in the absence of the relevant merger and then if the merger were to proceed.

We found that the generation market was becoming less concentrated and that this trend was likely to continue. In 1990 National Power and PowerGen between them had 73 per cent of the market; their market share is now 57 per cent.

We estimated this would reduce to less than 40 per cent over the next few years, taking account of the sales of existing capacity agreed by the companies with the director general of electricity supply, the regulator, and the amount of new independently owned capacity under construction or where planning is well advanced. We concluded this would provide a broadly satisfactory competitive environment in generation from 1997

onwards in the absence of the proposed mergers.

We looked at competition in the electricity supply market. We found that that part of the market where competition is permitted (namely customers with a demand of more than 100kW) is highly competitive.

We then considered the effects of each merger. In relation to competition in generation, we concluded that adverse effects would follow the acquisitions by National Power and PowerGen of the equity interests in independent power producers owned by Southern Electric and Midlands Electricity and of their market share is now 57 per cent.

The under-100kW market was more difficult to assess because it will not become competitive until 1998. Opposing views were put to us. We concluded that neither merger would reduce competition in this area.

We looked at the ability of National Power and PowerGen to influence the level of electricity pool prices. We concluded that, provided the adverse effects from the links with the independent power producers were dealt with, the ability of the two large generators to affect the levels of these prices for a sustained period – to keep them high or to cause them to fluctuate – would be small.

We considered the effect of the mergers on the market for contracts between generators and suppliers of the so-called contracts for differences. We concluded that, even if both mergers went ahead, this market would continue to be a healthy one.

We examined the effect of each merger on competition in both parts of the supply market. We concluded that neither merger would make a significant difference to the already highly competitive over-100kW market.

The under-100kW market was more difficult to assess because it will not become competitive until 1998. Opposing views were put to us. We concluded that neither merger would reduce competition in this area.

We examined the regulatory implications of the mergers and concluded they would make it more difficult for the director general to implement the regulatory regime, contrary to the public interest.

Much has been made in the press of our conclusion that each merger would create a company better able to compete in the market.

When considering the public interest, we are required under the Fair Trading Act to have regard to, among other things, the desirability of maintaining and promoting competitive activity in overseas markets by UK companies. Both our reports state we did not consider this benefit was sufficient to outweigh the detriments of each merger. Accordingly, we concluded that both mergers might be expected to be against the public interest.

We considered, however, that the adverse effects of the mergers were not sufficiently serious to justify prohibition. We proposed alternative remedies.

It is not unreasonable for others to take a different view about the future development of competition in the electricity industry. Indeed one member of our own panel produced a minority report.

I suggest however that it is wholly unreasonable and flies in the face of what we say in the two reports, to imply that we reached our conclusions because we were insufficiently interested in maintaining and promoting competition or because we have an overriding commitment to the development of "national champions".

The trade secret agreed with the MMC's adverse findings on the mergers. I was personally disappointed when he did not accept our recommendations for how these might be remedied. I always am disappointed when this happens, as it does from time to time.

However, I am convinced of the soundness of our tripartite regulatory system, which leaves the final decision in cases where the MMC has made an adverse finding to the trade secretary who is answerable to parliament. We should not be surprised when on complex and controversial matters there are occasional differences of view between ourselves and the trade secretary.

I do not see that as in any way undermining the position of the MMC.

UK NEWS DIGEST

Revenue service investigates offshore funds

The Inland Revenue is investigating the activities of the offshore subsidiaries of UK building societies following concerns that the rapid growth of the subsidiaries was leading to loss of tax revenues. Building societies are Britain's main savings and loan institutions. Ms Kate Main, under-secretary at the Building Societies Association, said: "The Inland Revenue has been asking a number of questions of the parent companies. It is trying to establish whether the offshore companies are genuine subsidiaries."

Most of the UK's large banks and building societies have offshore subsidiaries usually in islands near the British mainland such as Jersey, Guernsey or the Isle of Man. For example, Abbey National has a subsidiary in Jersey which has more than £2bn (£3bn) in retail and wholesale funds. Offshore subsidiaries of building societies have more than £6bn in deposits. The Revenue would not comment yesterday.

Industry experts, however, said that it was increasingly worried by the possible loss of taxes, both as a result of companies earning profits offshore, and from potential tax evasion by UK taxpayers. Industry insiders said that most building societies were being examined, but the Revenue was especially interested in those which aggressively marketed offshore subsidiaries in the UK, or which paid higher rates offshore. Most offshore subsidiaries of banks and building societies are careful not to seek money actively from UK residents since it might attract business from those seeking to evade tax.

Roger Taylor, Personal Finance Staff

Many experimenting with drugs

Almost half of people aged between 16 and 29 have tried illegal drugs, says the latest British Crime Survey, a government-backed report. But most of those who have tried drugs say they have done so on a one-off basis or only occasionally. One in four have taken drugs in the past 12 months, and one in seven admit to being regular users. Cannabis is the most commonly used drug, and is twice as popular among younger people than other drugs. The 1994 study was based on interviews with 10,000 people aged 16-39.

It says use of drugs declines with age. Teenagers aged between 16 and 19 were most likely to be users, with one in five claiming to have taken drugs in the past month. Of the drug users, 14 per cent had tried amphetamines or speed, 13 per cent poppers, 10 per cent magic mushrooms, 9 per cent LSD and 6 per cent ecstasy. Just 3 per cent had tried cocaine and fewer than 1 per cent had experimented with heroin, crack or methadone.

PA News

Company failures decline

The number of British companies failing declined sharply in the first quarter of 1996, reaching its lowest level for nearly six years, said the British Chambers of Commerce. Some 3,255 companies became insolvent in the first quarter. This was down almost 12 per cent on the previous quarter, after adjusting for normal seasonal patterns. Over the past year 1.5 per cent of active companies have become insolvent.

This is further evidence of a sustained recovery and, in particular, reflects the continued improvement in the performance and cashflow position of the small business sector," said Mr Ian Peters, deputy director-general of the chambers. Insolvencies have been falling off steadily since late 1992, when they peaked at more than 6,000 in the second quarter. The number of individuals declared bankrupt also fell in the first quarter of this year, dropping to 6,453 from the 6,481 recorded in the fourth quarter of 1995. But the number of individual insolvencies remains higher than it was a year ago. Robert Chote, Economics Editor

Sweepstake ends at Exchange

The combined effects of the National Lottery and Big Bang have ended one of the London Stock Exchange's longest-running traditions. The annual Derby Sweepstake, which used to offer a first prize of £35,000 (£32,850), has been abolished. The sweepstake, which became a grand event before the Second World War, has suffered a gradual decline since the end of trading on the exchange floor in 1988. It has also been affected recently by competition from the National Lottery. Tickets were sold for £2 each and, in the late 1970s, City enthusiasm was so great that it offered a first prize of some £35,000 while giving £20,000 to charity. Last June, the first prize was only £12,500 and the charity donation £3,500.

Mr Bill Legge-Bourke, one of the two trustees of the event, said its abolition had been a "very difficult" decision. "It was intended for another world," he said.

John Capper, Banking Editor

Some players 'are addicts'

Some people are addicted to playing the National Lottery, said Ms Louise White, public affairs manager of Camelot, the consortium which administers the National Lottery. She said at a conference about the lottery organised by the Scottish Council for Voluntary Organisations that a "small percentage" of lottery players were undoubtedly spending more than they should. "Socially there have been obvious areas of concern particularly with regard to addiction and under age playing," she said. "The addiction problem does exist; there is undoubtedly a small percentage of players who are unfortunately spending more than they should on the lottery. But it is a small percentage."

PA News

Contracts

Variety Perkins, the Peterborough-based diesel engines subsidiary of Variety Corporation of the US, has won initial orders worth £50m (£33.1m) for its new range of compact, very low emissions diesel engines launched in Germany last month. First customers include forklift manufacturer Boss Lucas Industries, the automotive and aerospace group, has won an order, worth £20m (£13.2m) over two years, to supply starters, alternators and engine distributors to Volkswagen car plants in Brazil.

Losses reversed after Office of Fair Trading admits mistake caused by 'human error'

Blunder by watchdog hits company's shares

By David Blackwell in London

A mistake by the Office of Fair Trading yesterday sent shares tumbling in Colorvision, the Liverpool-based television and video retailer that has been fighting to retain its consumer credit licences.

When the market opened the shares rapidly fell from 26p to 16p. However, it is understood that there were no trades until after the stock exchange withdrew the OFT press release, which was dated January 26 and headed "Colorvision loses

consumer credit licences". By 08h45 London time the screens were showing that the reverse was true, and the shares recovered to close up 6p at 32p. The exchange would only say yesterday that it was "looking into the matter", while the OFT put its mistake down to "human error".

The OFT has accepted Colorvision's assurances on its future conduct following a shake-up of the board that has ousted the brothers who founded the group 32 years ago. It will not contest the

group's appeal against the revocation of its credit licences – although the final decision rests with ministers.

Mr Neville Michaelson, who was chairman, and his brother Bernard, have agreed to transfer for no consideration more than half their 67 per cent holding. One analyst described the deal with the OFT as "pretty severe" for the brothers, who had to choose between retaining 67 per cent of nothing or 30 per cent of what the new management could generate. The

Michaelsons retain just over 6m shares, or 29.9 per cent. A further 29.9 per cent will be divided between Sir Brian Wolfson, the former Granada joint chief executive who becomes executive chairman; Mr Adrian Collins, a former head of Gartmore, is a new non-executive director; and Strand Partners, which has acted as the group's financial adviser.

Mr Anthony Rawlinson of Strand also becomes a non-executive director. The remaining 6.8 per cent of the shares will be placed in a dis-

cretionary trust for the benefit of the group's key employees.

The OFT said the Colorvision case was the first time it had accepted undertakings after revoking licences. In October last year, when the initial warning was issued, Colorvision had failed to meet the terms of the OFT's decision. The group had failed to keep the licences.

Colorvision warned last month that sales excluding satellite systems had fallen 29 per cent since January 26, when the OFT took action to revoke the licences.

Mr Dux's views suggest divergence from the vision which brought Viva to the airwaves.

Launched by a cast of women celebrities, the station aimed to attract career women. "Who do not want to be patronised with bland, old-style knitting patterns and cooking recipes".

Employers now want to address how to expand the links they have made, and measure the benefits. Mrs Shepherd's consultation document, released at the Secondary Heads Association conference, tackled these issues, and attempted to ensure that a wider range of companies is involved.

The main proposals are to allow children aged 14 to 16 to spend a day each week in work experience, with

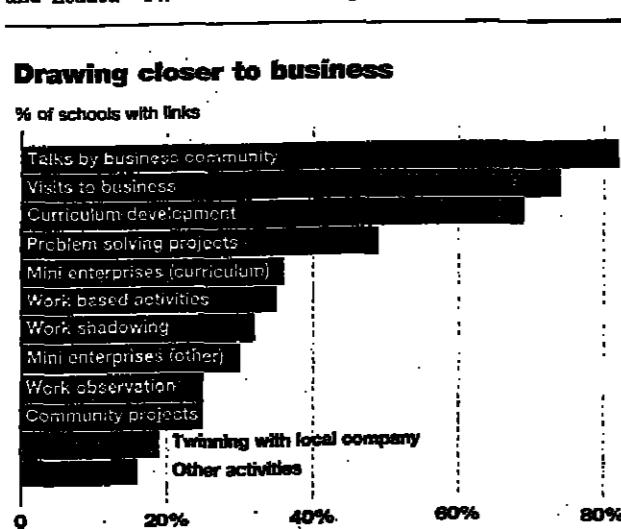
the possibility of an extra day studying at college.

Employers' organisations, the opposition Labour party, and Sir Ron Dearing, the government's chief curriculum adviser, seem certain to ensure that companies will be offered more opportunities to work with schools.

According to the department's statistics, most school links are with large companies employing 500 people or more.

The department found that 82 per cent of schools staged talks by the business community, but only 38 per cent attempted more ambitious "mini-enterprises," and only 32 per cent

Drawing closer to business



COMPANIES AND FINANCE

BT and Cable and Wireless get disengaged

The telecoms merger of the decade may have evaporated, but for the two participants, it was business as usual yesterday.

British Telecommunications and Hongkong Telecom, the principal objective of its proposed merger with Cable and Wireless, have signed a deal through which the C&W subsidiary would distribute "Concert" services to 12 multinational companies in Hong Kong. Concert is BT's joint venture with MCI of the US, and its chief international operation.

The market, nevertheless, signalled its disappointment yesterday at the failure of the talks between BT and C&W, which would have created a global telecoms giant worth £34bn, sharply cutting the price of both shares. BT closed down 3.8 per cent or 13½p at 338½p, while C&W closed down 8.6 per cent or 45p at 52p.

The talks, which have been going

The telecoms giants go their separate ways now the merger is off, writes Alan Cane

on for some six months, were abandoned on Thursday evening after the C&W board decided the potential rewards did not merit the risks involved and opportunities missed through going on.

The difficulties included uncertainties about regulation in the UK, political approval in Hong Kong, where C&W has the majority stake in Hongkong Telecom, and a stand-off between subsidiaries of the two companies in Germany. While both sides are playing down the issue, there was also a clash of cultures between the two groups, one twice the size of the other, with uncomfortable questions about the roles the top executives would be expected to fulfil in the merged company.

Mr Rod Olsen, C&W acting chief executive, said yesterday that although it had been a unique experience and opportunity, little progress had been made in the talks in the past four weeks and there seemed little hope of more progress in the months ahead.

Market reaction reflected a perception that the failure of the talks was potentially more damaging to C&W than to BT. It has yet to appoint a permanent chief executive, although Mr Olsen said yesterday that he expected to make an announcement before the end of May.

Furthermore, analysts remain unconvinced that C&W's international collection of operators and alliances represent a coherent strategy.

There are suggestions that it should be broken up and the constituent parts sold off to improve shareholder value.

This argument cuts no ice with Mr Olsen, who says determinedly: "Cable and Wireless is not for sale." He insists that the collapse of the merger negotiations will have no effect on the group's ambitions to "pursue its strategic objectives in its chosen markets free from the uncertainty of the past few months".

Mr Olsen said there would be no logic in selling Hongkong Telecom, which was the source of most of the group's profits and its bridgehead to China. He also rejected the idea that Mercury Communications could be up for sale, pointing out that it was the core of the group's European

operations. He said that Mr Peter Howell-Davies, the managing director, was implementing a strategy which was returning the company to health after a difficult period: "Mercury is no longer the sick child of the group."

Mr Olsen said that the new chief executive, a male North American, would be announced shortly. Mr Olsen said he would not return to his previous post as chief financial officer but would act as deputy chief executive.

"It will take some years for the new man to understand a company as complicated as this," he said.

Analysts agree that Mr Olsen, the last of C&W management's old brigade, is the only man who knows all the company's secrets, dark and otherwise.

FDA advisers' decision hits shares in SB

By Daniel Green

Shares in SmithKline Beecham, the UK's second biggest pharmaceuticals company, dropped 49½p to 662p yesterday, after advisers to the US Food and Drug Administration voted against recommending approval of Coreg, one of its best drugs.

SmithKline believed that the product is still effective. It says it has submitted the results of more clinical trials which may persuade the FDA to approve the drug in spite of its advisers' opinion.

That has happened in the past. The FDA approved SmithKline's drug Kytril, for limiting the side-effects of cancer chemotherapy, against the panel's advice.

If approved, Coreg would be used to treat "congestive heart failure", a condition in which the heart's ability to pump blood deteriorates. In the US, congestive heart failure is the chief cause of 40,000 deaths each year, and a contributing factor in another 225,000.

See Lex

China factor keeping HK Telecom in the spotlight

Big international players are being drawn to C&W's Asian star, writes John Riddings

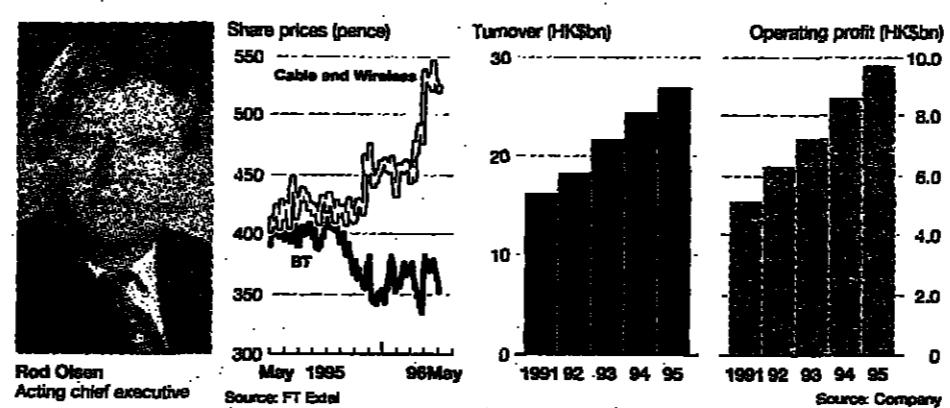
One scenario touted in the investment banking community is the sale of a stake to a Chinese concern or to a Hong Kong company with mainland connections. This would follow the pattern of a significant restructuring in Hong Kong's aviation industry this week which saw Citic Pacific, a Beijing-backed investment group, take a big stake in Cathay Pacific, the UK-controlled airline and the territory's de facto flag carrier.

Possible partners for Hongkong Telecom include China's Ministry of Post and Telecommunications and Citic Pacific, which already holds 10 per cent of the operator. Some analysts also cite the three new Hong Kong operators which received licences last year.

The various options demand significant caveats. Many of the regulatory obstacles which undermined the merger plans with BT – such as the need for approval from Hong Kong and Beijing – would hold for any suitor.

A parallel with the aviation sector is not straightforward. "British control is an irritant ahead of the transfer of

Cable and Wireless



Abbey National to pay £121m for Wagon Finance

By George Graham, Banking Correspondent

Abbey National is to buy Wagon Finance, the used car financing group, from United News & Media for £121m.

Wagon, which ranks about fifth in the UK used car financing market with about 150,000 customers and a loan book of £250m, will boost Abbey's drive into consumer finance.

It will retain the Wagon name, but will operate as a subsidiary of First National Finance Corporation, the consumer credit group Abbey bought last year for £285m.

Loans on used cars generally offer much fatter margins than

new car financing, where credit costs are negotiated by the manufacturer and factored into the sale price. Wagon operates in the higher margin end of the market; it has relationships with about 500 car dealerships, most of them small and family-run.

Wagon, which was owned by the MAI media and financial group, was put up for sale when MAI merged with United News & Media.

Abbey will pay £108m in cash for Wagon, which recorded pre-tax profits of £12.8m in the year to June 30, 1995. In addition, £15m of subordinated debt owed to United will be refinanced on completion of the sale.

Mr Tim Ingram, chief executive of First National Finance, said the acquisition would allow his group "fast entry to a growing market".

Mr Ingram said: "The used car finance market is growing at approximately double the rate of the new car market. Growth in car finance business is expected to remain strong, given the decline of the company car and the increase in the number of cars per family."

The four leading competitors in the used car finance market – Chartered Trust, Lloyds Bowmaker, Lombard and NWS – are all subsidiaries of mainstream banks.

Virgin to become biggest operator of multiplexes

By Raymond Snoddy

Virgin Cinemas is planning an expansion which will involve building 18 multiplex cinemas in the next four years.

The plan will double the number of large, modern, multi-screen cinemas to 37, and make Virgin the biggest operator of multiplexes in the country.

Mr Richard Branson, chairman of the Virgin Group, is funding the development by selling most of the traditional high street cinemas bought as

part of the £150m acquisition of the MGM chain in July last year.

ABC Cinemas, a company run by Mr Barry Jenkins, MGM's former managing director, has signed a contract to buy 90 of the High Street cinemas for a total of £28m. The money will be used for the multiplex development.

The deal will enable us to considerably speed up our expansion plans," Mr Branson said. The Virgin chairman says he has become more excited about future opportunities for

Oxford Molecular, which develops software for drug research, has placed 15m shares with institutions, raising £50m for its original venture capital investors.

Mr Derek Marsh, finance director, said the company, which was formed out of a unit of Oxford University, was supported by venture capitalists in its first five years prior to flotation in 1994.

At the time of the float, venture capitalists and some directors agreed not to sell any shares for two years, a period which lapsed last week.

Out of 57m shares in issue, 30m emerged from the lock-up period last week. It said the placing was more than two times oversubscribed.

The group, which last week announced 1995 increased pre-tax losses to £3.69m, raised £16.2m in a 1-for-7 rights issue earlier this year.

Mr Johnson said Brightstone shareholders were faced with a "conceptual choice" between a still-small company and a complete change of tack. However, he was not interested in becoming embroiled in a "messy fight" for control of Brightstone and would "withdraw gracefully" in the absence of shareholder support.

Mr Colin Walker-Robson, CNC finance director, was confident its bid would succeed. He said CNC, advised by Butterfield Securities, had received irrevocable undertakings from 14.4 per cent of Brightstone's shareholders and had letters of support from an additional 29.3 per cent. He said the latter included PDFM, the fund manager, which holds a 26 per cent stake in Brightstone. PPDFM declined to comment.

Mr Johnson, PizzaExpress

chairman, specialises in reversing private companies into shell public companies.

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Mr Johnson, PizzaExpress

Panther stalks Elys' trustees

By Raymond Snoddy

United News & Media, the newspaper and television company, yesterday appointed Mr Stephen Grabiner as executive director of all its newspapers and advertising periodicals.

Mr Grabiner, 37, has worked at The Telegraph for 10 years and been managing director since 1994.

The appointment is a clear indication that the new group – created by the merger of United, publisher of the Daily and Sunday Express, with MAI, the television and financial services group – is serious about trying to revive Express Newspapers. Both the daily and the Sunday Express have been losing circulation for many years.

"We are going to give Associates a run for its money," Mr Grabiner said yesterday. Associated, publisher of the Daily Mail and Mail on Sunday, has long since overtaken the circulation of both the Daily and the Sunday Express.

Mr Grabiner, who used to be a consultant with Coopers & Lybrand, said he would now look at every part of United's newspaper operation with the aim of "freeing up resources

to put them where they were most needed – in editorial and promotion.

Lord Hollick, chief executive of United, said: "Stephen's appointment as chief executive of our newspaper division emphasises United's commitment to revitalise and strengthen its newspaper and periodical businesses."

Apart from national newspapers, Mr Grabiner will be in charge of United Provincial Newspapers, which includes the Yorkshire Post and Link House Publications, publishers of periodicals including Exchange and Mart and Dalton's Weekly. Mr Andrew Cameron, executive director of national newspapers, and the Sunday Express have been leaving after 23 years.

At The Telegraph, Mr Grabiner is to be succeeded by Mr Jeremy Deedes, managing editor of the Daily Telegraph and son of Lord Deedes, the former editor.

The Telegraph also announced that it had decided to form a single media company responsible for the sale of all advertising in its titles. Mr Len Sanderson, deputy managing director of The Telegraph and chairman of the Sunday Express, will become managing director of the new company.

It will invest in listed companies focused in three areas: sports groups and amenities, apparel and equipment manufacture. Initial holdings will include companies like Manchester United in the UK, and Nike and Callaway Golf in the US.

It will be managed by the Momentum group which runs 17 funds, with about £300m (£132m) under management.

Telegraph chief goes to Utd News

By Philip Gavith

For Mr Michael Goldman, the enduring challenge of how best to match business and pleasure has found its perfect outlet in the Momentum Premier Sports fund, the world's first international sports investment fund.

Launched this week, it attempts to capitalise on the increasing commercialisation of sport, fuelled in recent years by the exponential revenue growth allowed by expanding television coverage, and the growing professionalism of many sports.

At The Telegraph, Mr Grabiner is to be succeeded by Mr Jeremy Deedes, managing editor of the Daily Telegraph and son of Lord Deedes, the former editor.

The Telegraph also announced that it had decided to form a single media company responsible for the sale of all advertising in its titles. Mr Len Sanderson, deputy managing director of The Telegraph and chairman of the Sunday Express, will become managing director of the new company.

It will invest in listed companies focused in three areas: sports groups and amenities, apparel and equipment manufacture. Initial holdings will include companies like Manchester United in the UK, and Nike and Callaway Golf in the US.

It will be managed by the Momentum group which runs 17 funds, with about £300m (£132m) under management.

Mr Goldman, managing director of the Momentum Group, believes the fund focuses on an exceptionally promising growth sector, while capitalising on the fact that many investors know a great deal about sport and sports companies.

"My concierge can understand the corporate structure of Manchester United in the same way an analyst would know about Glaxo."

The fund is registered in Luxembourg, with plans to create an investment vehicle, such as a unit trust, which is directly marketable in the UK.

The minimum investment in the fund is £25,000, but the UK vehicle would have greater appeal to smaller investors.

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Sports investment gains Momentum

By Philip Gavith

For Mr Michael Goldman, the enduring challenge of how best to match business and pleasure has found its perfect outlet in the Momentum Premier Sports fund, the world's first international sports investment fund.

Launched this week, it attempts to capitalise on the increasing commercialisation of sport, fuelled in recent years by the exponential revenue growth allowed by expanding television coverage, and the growing professionalism of many sports.

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The minimum investment in the

COMPANIES AND FINANCE: UK

Pearson warns it will face £46m loss from Mindscape

By Raymond Snoddy

Pearson, the information, publishing and entertainment group, yesterday warned that Mindscape, its US software publishing company, would show losses of £46m this year.

Lord Blakenham, chairman and chief executive, told Pearson's annual meeting that many of its businesses had begun the year well "with one important exception": that was Mindscape, formerly Software Toolworks. Bought in 1994 for £30m, it had an operating loss of £9.7m last year.

The group's shares dropped by 18p to 677p as analysts reduced their pre-tax profit forecasts for 1996. Mr Anthony de Larraga, at Panmure Gordon, said he was reducing his

forecast for Pearson, which owns the Financial Times, by £27m to £245m.

Pearson plans a complete reorganisation of Mindscape, which will focus on a narrower range of longer-life products. These, Lord Blakenham promised, would be more effectively distributed and marketed.

"The actions we are taking as a result of the review are likely to result in 1996 in losses of approximately £46m at Mindscape of which £30m are non-recurring charges," he said. Part of the cost would come from moving to a more conservative accounting regime for writing off development costs: only about £8m would affect this year's cash flow.

Mr Israel argued that someone in Pearson had made a mistake on Mindscape.

"Why has the person responsible for making that decision not done the decent thing that is applicable to every other company – that if you make a mistake of that proportion you resign?" Pearson directors said that with hindsight there had been too many products not of high enough quality.

Mr Frank Barlow, group managing director, said: "We think we will restore this business [Mindscape] to health."

To coincide with the annual meeting, the National Union of Journalists branch at the FT issued a statement drawing shareholders' attention to their "grave concern" that current cost cuts at the newspaper would "impair its future and squander the value of a brand that has been built up over many years".

During the meeting, the



Lord Blakenham: there was no need to be ill-mannered Trevor Humphries

Grid sheds light on stake sale

By Roush Khalaf and Samer Iskandar

National Grid yesterday shed some light on the mystery surrounding the recent sale of 210m of its shares to HSBC James Capel, and the involvement of Saudi billionaire Sultan S Olayan in the transaction.

On Tuesday HSBC James Capel paid Hanson, the industrial conglomerate, £405m for 210m shares of National Grid, or 12.5 per cent of the company then hedged its risk by entering into a derivatives contract with a subsidiary of the Athens-based Olayan Group, run by the Saudi financier. The transaction fuelled speculation about the ultimate owner of the shares.

National Grid said yesterday the Olayan Group had in effect underwritten James Capel's purchase of the shares. In return the stockbroker, which is the legal owner of the stake, entered into an off balance-sheet derivatives transaction, whereby it shares with Olayan the gains as well as the losses of the portfolio.

Although the Olayan Group officially owns no shares in National Grid, it has in the past few months accumulated an interest in 2.7m shares of National Grid shares, through other derivative transactions.

This leaves Olayan's total exposure at more than 12 per cent. The government holds a "golden share" in National Grid, which allows it to stop any investor from owning more than 15 per cent.

After meeting with senior executives of the Olayan Group and HSBC, National Grid said yesterday it welcomed the group's decision to increase its exposure to the company.

"The Olayan Group gave us a detailed history of its global activities and its previous investments in the company," National Grid said.

It highlighted the long-term nature of its investment philosophy and explained to us that as a result of the structured transaction with HSBC James Capel the Olayan Group has acquired an economic exposure to the performance of our shares."

Power behind the golden shares

Simon Holberton analyses the conflict of new found economic nationalism and a desire for competition

This week the government told potential bidders for National Power and PowerGen, the two main electricity generators in England and Wales, to back off.

In the City, however, its reputation took another knock for a further example of policy-making on the hoof.

The Department of Trade and Industry, which has

bureaucratic oversight for the UK's electricity industry, did not threaten potential bidders for the generators with a referral to the Monopolies and Mergers Commission.

This is the usual way in which it seeks to forestall, or stop bids if it disapproves of. But perhaps a referral was not a credible option, following the decision 10 days ago by Mr Ian Lang, trade secretary, not to accept MMC's advice on National Power's agreed bid for Southern Electric and PowerGen's agreed bid for Midland Electric.

Instead, it invoked its rights as a "special" shareholder in the two electricity generators. These "golden shares" allow the government to block any change in ownership.

There are two types of golden share. The first is with-

out time limit and applies to companies where a takeover would be unwelcome on the grounds of "national security".

Fifteen of the 17 golden shares are unlimited and six apply to the electricity industry.

The second category of golden share remains in force for a defined time. It is deemed necessary to allow management time to adjust to life in the private sector, free from the worries of a hostile takeover bid. The provisions may be varied. The government allowed British Petroleum to acquire British Gas in 1990, although a non-time limited special share was in force.

BP is, of course, a British company, and the DTI's statement this week about the provisions of its National Power and PowerGen special shares – that no one could own more than 15 per cent of either without approval – appeared aimed at foreigners. Southern Company of the US, last week signalled its interest in acquiring National Power and said it had £8bn to fund an acquisition.

This new found economic

nationalism has dismayed electricity industry analysts. They charge that it contradicts previous policy.

Mr Nick Pink, of SBC Warburg, points out it was the government that last year tried to

The UK government still holds golden shares in:

Cable and Wireless; Sealink

Stena Line; British Telecommunications; British Aerospace; VSEL Consortium; British Gas; Rolls-Royce; BAA; National Grid; National Power; PowerGen; Scottish Power; Scottish Hydro Electric; British Technology Group; Northern Ireland Electricity; Belfast International Airport.

sell British Energy, the soon to be privatised nuclear power generator, to Duke Power of the US.

The new policy appears, however, to be designed to achieve more competition, while at the same time seeking to ring-fence the main generators from the attentions of foreigners. These aims may be

contradictory.

Golden shares are retained in respect of Northern Ireland Electricity, Scottish Hydro Electricity, Scottish Power, National Grid Company, as well as National Power and PowerGen.

But the government is already facing problems. This week Hanson, the Anglo-American conglomerate, sold its 12.5 per cent interest in the National Grid, which operates the high voltage transmission system and the wholesale market where electricity is traded, to HSBC James Capel. The stockbroker subsequently hedged the stake through a derivatives contract with the Olayan Group, a Saudi-controlled investment company.

Moreover, as Mr Pink points out, the DTI's claim that it wants more competition in generation might receive an uncomfortable test in the near future if a foreigner decides to test the policy. "It has rested its policy on competition and said there is not enough," he said. "It risks being severely embarrassed."

NEWS DIGEST

Rugby and Costain warnings

Shares of UK construction and building materials companies fell sharply yesterday following a series of profit warnings from companies in both sectors.

Shares in Costain, the construction and mining group, fell by 10p to 89p after the company said that losses in 1995 were likely to be greater than current brokers' forecasts.

The share price of Rugby Group, Britain's third largest cement manufacturer, also dipped by 34p to 123p following a warning by the company that pre-tax profit in the first six months of this year would be "well down" on the corresponding period last year because of severe weather in Europe and the US.

Shares in Camas, the quarry group, fell by 3p to 87p after it said demand in the UK and US had been weak in the first quarter this year.

Andrew Taylor

Adscent shares tumble 32p

Shares in Adscent slipped 32p to 263p yesterday after the Canterbury-based publisher said pre-tax profits for the year to May 31 would not meet market expectations.

It said that although they would be ahead of last year's £24.6m profits for 1995-96 would not meet current expectations of £28.3m. Mr David O'Brien, analyst at Beeson Gregory, the house broker, has downgraded his forecast to 35p.

The company said slower than expected economic growth and consumer sales, the disruptive effect of snow in the Midlands and a newsprint price rise, had combined to make January and February particularly difficult.

Martin Brice

Geest pulls out of Necta

Geest is selling the Necta prepared pineapple business to Pacific Asia Technologies, its partner in developing the Necta technology, for up to \$6.7m (£4.43m).

The company said it was a perfect solution to solve a problem which led Geest to make an exceptional charge of £1.6m in last year's accounts. It is not thought any further charges will be needed.

Geest, the fresh foods company, will receive \$1.45m cash, a convertible debenture worth \$2.25m and a deferred sales related payment of up to \$3m. The company said the cash consideration covered the firm's net asset value of Necta and was treating the balance as a bonus if and when it received any further amounts.

It added that the Necta factory in Costa Rica had not been working to capacity as it had been built on the basis of test marketing in Scotland. However sales in the rest of the UK had not met expectations.

The solution would have been to sell into the US but Geest was wanting to concentrate on Europe. Pacific Asia, based in Vancouver, was better placed to expand sales. Geest retains distribution rights for Europe.

The debenture is part of a placing of \$12.3m by Pacific Asia.

Nigel Clark

CA Coutts placing on Aim

Mr Norman Essex, 74, chairman of CA Coutts Holdings, a producer of in-store displays and point-of-sale material, is set to make £945,000 when his company joins the Alternative Investment Market via a placing of 3m ordinary shares at 105p each.

The placing, sponsored by Beeson Gregory, will raise £3.17m gross, with £1.275m going to the company. Mr Essex will be selling about 900,000 of his holding of 3.08m shares. Trading is expected to start next Thursday.

Patrick Stiles

Royal Bank sale raises £19m

Royal Bank of Scotland has sold its remaining 9.9 per cent stake in Charterhouse to Charterhouse European Holding for £19m in cash.

Charterhouse Holding is a joint venture company equally owned by Credit Commercial de France and BHF-Bank.

The deal was carried out in accordance with the provisions of a put option granted to Royal Bank at the time of the sale of its 9.1 per cent stake in Charterhouse in 1993.

Wassall in £11.5m disposals

Wassall has completed the £11.5m cash disposal of four companies from its industrial and commercial division to Omnipack, a company whose finance has been arranged by ECI Ventures.

The consideration included the sale of three group properties occupied by the companies – MCG Rosslare, Glchrist Brothers, MCG Graphics and MCG Containers & Closures.

For 1995, their total operating profits were £1.8m and at the year-end net assets were £4.5m including the properties.

The proceeds will be used to reduce borrowings.

Nestor-BNA to sell division

Nestor-BNA is selling its specialist personnel companies to their managers for £7.9m.

The disposal of Hewitson-Walker and Scott-Grant is in line with the strategy of focusing on fewer business areas, particularly financial and management resources.

Hewitson-Walker is being sold for £6m cash to a new company owned by management and 3i Group. Scott-Grant's management is paying £530,000 on completion with the balance of £1.37m satisfied by the issue of a secured loan note.

The group said that after the disposals, borrowings of £1.8m would turn to a cash surplus of £1.8m.

National Home Loans buy

National Home Loans, the centralised mortgage lender, has acquired RCR Contract Hire and Leasing, the Coventry-based vehicle contract hire and leasing company, for £7.5m cash from NHL's own resources.

In 1995, RCR made pre-tax profits of £1.5m on turnover of £27.7m and at December 31 had net assets of £827,000.

Inchcape Swiss retrenchment

Inchcape, the international distribution group, is pulling out of motor activities in Switzerland by selling its Daitiatsu franchise to Zurich-based Emil Frey for up to SFr7m (£3.8m), including a goodwill element.

The group will close its Swiss import centre in the second half of this year. Its Daewoo import and distribution business will be replaced by a wholly owned subsidiary of the South Korean manufacturer.

Inchcape retains insurance operations in the country.

CIS turns in 10% surplus rise

Higher investment income helped the Co-operative Insurance Society to a 10 per cent rise in its surplus last year, despite falling sales of life assurance and pension policies.

Sales of both regular and single premium policies fell 9 per cent to £101.8m and £23.7m respectively.

Premium income also slipped across the range of CIS' non-life business, by 16 per cent to £440m.

Mr David Wise, chairman, told the annual meeting that sales figures had been depressed by the amount of time sales staff had spent both on the society's reorganisation and on studying to meet the training and competence standards set by financial regulators.

CIS also announced that Mr David Hollas, one of its three deputy chief general managers, will succeed Mr Alan Sneddon as chief general manager in March next year.

Little threat to cheaper premiums

By Roger Taylor and George Graham

A consolidation of the composite insurance industry has been expected for some time, but the proposed Royal Insurance-Sun Alliance merger nonetheless put the two companies' rivals on the defensive yesterday.

By changing the pecking order of the industry, the merger would further weaken the position of companies that

are seen as vulnerable, attracting more interest from outside the UK in what remains a fragmented industry.

The focus was immediately on Guardian Royal Exchange, which is regarded as vulnerable because it has the smallest life operation of the five large composites, and has lost ground because of the merger.

Mr Brian Shea, an analyst at Salomon Brothers, said a merger would "change the whole equation for a lot of people"

and could lead to further consolidation. He said that cost savings would give the merged group an advantage.

The consolidation of composites would match a process that has been underway in other financial services sectors, including banking and investment banking, which are also afflicted by over-capacity.

The fit between Royal and Sun Alliance could prompt others to seek mergers that match one company's weaknesses

with another's strengths. Analysts said one of the attractions of the deal was the way in which each complemented the other.

One possible match could be General Accident and Guardian. General Accident is not as strong in Europe as Guardian, but is more powerful in the US.

Guardian's weakness in the UK is also matched by strength on the part of General Accident.

Other analysts questioned

the viability of Norwich Union's plans to float in its current form.

Mr Steven Bird of Merrill Lynch suggested Norwich would be "surrounded by predators" if it proceeded with a flotation as it was now.

However, Mr Bird said he did not see the competitive forces in the industry slackening due to the merger. "I don't think that average prices will be higher in 12 months' time. It is simply not big enough for that."

Other analysts questioned

the wisdom of Royal or Sun Alliance's plans to float.

People with car, house and other general insurance policies with either company will notice no change when their policies come up for renewal. The intention is to keep the branding and terms of such policies unchanged.

COMMENT & ANALYSIS

Politics · Robert Peston

Brave face on disaster

Tories did badly in the UK local elections, but not as badly as they feared

In the aftermath of Thursday's tidal wave of public opinion which obliterated the Tory powerbase in UK local government, the prime minister yesterday claimed he had spotted a safe harbour ahead.

"We lost many good Conservative councillors who have served their communities well," Mr John Major acknowledged. "But he would win the next general election."

These may at first glance appear to be the ravings of a desperate mariner, who has been at sea for so long that he cannot see the difference between a looming iceberg and dry land.

The scale of the Tories' defeat was monumental. They had 1,022 councillors up for re-election in 1,500 English local authorities. Considerably less than half survived. Labour gained more than 450 new councillors and the Liberal Democrats around 150.

This should not be viewed as a one-off protest vote. In the local elections the previous year, involving a significantly greater number of local authorities, the Tories were relegated to the position of third force in British local government.

Labour now controls around half the 23,500 council seats in Great Britain, while the Liberal Democrats have several

hundred more councillors than the Tories.

There was perhaps a crumb of comfort for the Tories in that they did not lose control of any town halls – although their ability to run Runnymede council in traditionally Tory Surrey now depends on the casting vote of the mayor.

But it was pretty cold comfort, since after the previous year's rout, there are only 14 local authorities coloured blue on the electoral map. Most of the UK is now a bright shade of red, interspersed with patches of Liberal Democrat orange in the south-west and the north of England.

Yet Mr Major dispensed himself from a television and radio blitz for all the world as though he had just master-minded a great triumph.

Partly this was play-acting to comfort Tory activists. But it was also a reflection of a genuine sense of relief – because it could all have been so much worse.

Even by the unedifying standards of the past few years,

ministers accept that their government has been something of a shambles over the past few weeks. Tory MPs have continued to squabble in public over policy on Europe – and have been volatile in their criticism of ministers' handling of the beef crisis.

Inevitably, there has been much talk among the more excitable elements in the party that this was the last and best moment to unseat Mr Major.

He was therefore aware that he might have lost his Downing Street tenure if the local results had been utterly calamitous.

It was significant, therefore, that even Tories with a deep-seated loathing of Mr Major – who are predominantly Eurosceptic – resisted the temptation yesterday to call for his head. The headline in the London Evening Standard summed up the reason: "Hew! It's only a disaster".

There was just the faintest of signs that the Conservatives may have turned the corner. In 1995, the Tories won an estimated 25 per cent of the vote, compared with 47 per cent for Labour and 23 per cent for the Liberal Democrats. Although the comparable figures for Thursday are disputed by the parties, there is agreement that the Tories made modest progress to perhaps 27 or 28 per cent, with Labour dropping to about 44 per cent.

Labour was not devastated by the trend. "If that was repeated in a general election, we would have a majority of between 150 and 200," commented one of its psephologists.

Yesterday, Mr John Prescott, Labour's deputy leader, claimed that the party's strategy of concentrating its efforts on "key seats", the marginal constituencies it needs to win in a general election, had paid off in spades.

The party needs for example

to make progress in southern

new towns, coastal resorts and

Middle England counties.

Mr Prescott was therefore delighted at Labour gains in Basildon, Bedford, Cambridge,

Harlow, Gloucester, Eastbourne, St Albans, Welwyn Hatfield, among others.

These successes will underpin the general election campaign, since local councillors can provide invaluable support to sitting MPs and candidates. The Tories are therefore at a significant disadvantage.

Local government strength is also one of the best indicators of the fundamental health of a party, since councillors often graduate into MPs. "It is a big long-term problem if you have no councillors," a minister conceded. "Apart from anything else, anyone involved in local decisions has a far greater understanding of the day-to-day dilemmas faced by a government and helps to spread that understanding."

The Tory party has had modest success in galvanising its activists over the past year. In Hereford for example, where there is no longer a single Tory councillor, the local party chairman, Mr Nigel Davies, remains confident the seat can be retained.

However, he and his ilk will be consigned to oblivion in the absence of greater single-mindedness at the top of the party. Mr Major has so often in the past appeared the victim rather than the master of events, that yesterday's show of resolution cannot be guaranteed to last.

There are also powerful forces continuing to work against any government reinvigoration. The beef crisis for example is occupying so much of cabinet ministers' time that development of new policies has been squeezed out.

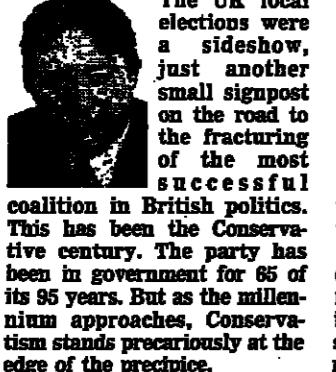
Eurosceptic Tories are also stepping up their offensive to persuade Mr Major to adopt a more anti-EU approach, defying his call for unity. This week two separate groups of sceptics – one led by Mr John Redwood, who challenged Mr Major for the leadership last summer – are laying out alternative agendas for the government.

But as Mr Major made clear yesterday, almost a full year remains before the general election. "It will be on May 1," a minister confided.

Few Tories will dispute privately that prospects of winning are remote. However, many expected a total collapse in their vote on Thursday. "It feels good to be alive," one minister muttered, with a shrug.



Philip Stephens

A party holding office but no longer in power

The UK local elections were a sideshow, just another small signpost on the road to the fracturing of the most successful coalition in British politics. This has been the Conservative century. The party has been in government for 65 of its 95 years. But as the millennium approaches, Conservatism stands precariously at the edge of the precipice.

It matters that the party has now been all but extinguished in local government, that towns and cities such as Oxford, Slough, Stevenage or Manchester can no longer boast a single Tory councillor. But the elimination of Conservatism from the town halls is just reward for the government's wanton destruction of local democracy.

There is also something curious happening when a government can poll less than 30 per cent in a national election and then claim evidence of a political recovery. At this point before the last general election, the Conservatives and Labour were neck and neck. Now Tony Blair has a lead of 16 or 17 points.

True, much of the enthusiasm for Labour which is so visible in the opinion polls might well be at real elections. But there are more powerful forces at work here than the contempt in which the voters hold John Major's government. One must always allow for the impossible in politics. But the odds now must be that we are witnessing the historic break-up of the modern Conservative party.

If that is the case, it matters little whether John Major goes or stays. As he watches reason elbowed aside by ideological warfare, loyalty displaced by factionalism, it must be tempting for the prime minister simply to walk away. My view is that he will not and that, even in its present madness, the party will not displace a leader who is consistently more popular than the government over which he presides.

Michael Heseltine, the deputy prime minister, never admits defeat. So I suspect that he still wakes sometimes with the dream that he might yet make it over the threshold of 10 Downing Street. But he is not stupid. As he rubs the sleep from his eyes I am sure he realises there would be nothing left worth inheriting. For all his well-rehearsed faults, Mr Major is more sympathetic than the Conservative machine.

In this context is the outcome of the general election of great importance. There are some senior ministers who remain reluctant yet to scour the appointments pages in search of fresh employment. And indeed one can imagine circumstances, just in which Mr Major might yet win. But day-by-day it becomes harder to see the Tory party as a force capable any longer of governing.

There is a credible right-of-centre prospectus for the 1990s. It was sketched out this week in two intelligent speeches by Mr Heseltine and

The Normal response to harassment

The small town at the heart of ugly allegations is an unlikely place to have spawned a culture of sexual aggression, says Tony Jackson

These are strange times in Normal, Illinois. Until three weeks ago most Americans knew this small prairie town only for the quaintness of its name. It has now been thrust into the limelight by America's biggest suit for sexual harassment since the term was invented.

In the dock is Mitsubishi Motor Manufacturing of America (MMMA), the US subsidiary of the Japanese carmaker. Its Normal plant employs almost 800 women, half of them on the production line. According to a suit brought by the Equal Employment Opportunity Commission, the Federal watchdog, several hundred of those women have been systematically harassed by their male co-workers for the past six years.

Most of the allegations are glumly familiar: pinching, groping, obscene remarks and graffiti. But some of the goings-on in Normal were older and uglier.

It is not in dispute, for instance, that male Mitsubishi workers hired prostitutes for sex parties, and took photographs of their exploits to show back at the plant. Nor is it denied that at least one woman who complained about harassment found a frighteningly abusive anonymous note in her locker.

One might infer that Normal is a kind of redneck's heaven: a rustbelt jungle, full of strip joints and sports bars. The reality is quite different.

Some 130 miles south-west of Chicago, on the old Route 66 through the heart of America, Normal is a quiet, rather pleasant town: the kind of place where cars wait politely at the stop signs and you are sure of a Gideon's Bible in your hotel room.

The lawyer for the 29 women, Ms Patricia Benassi,

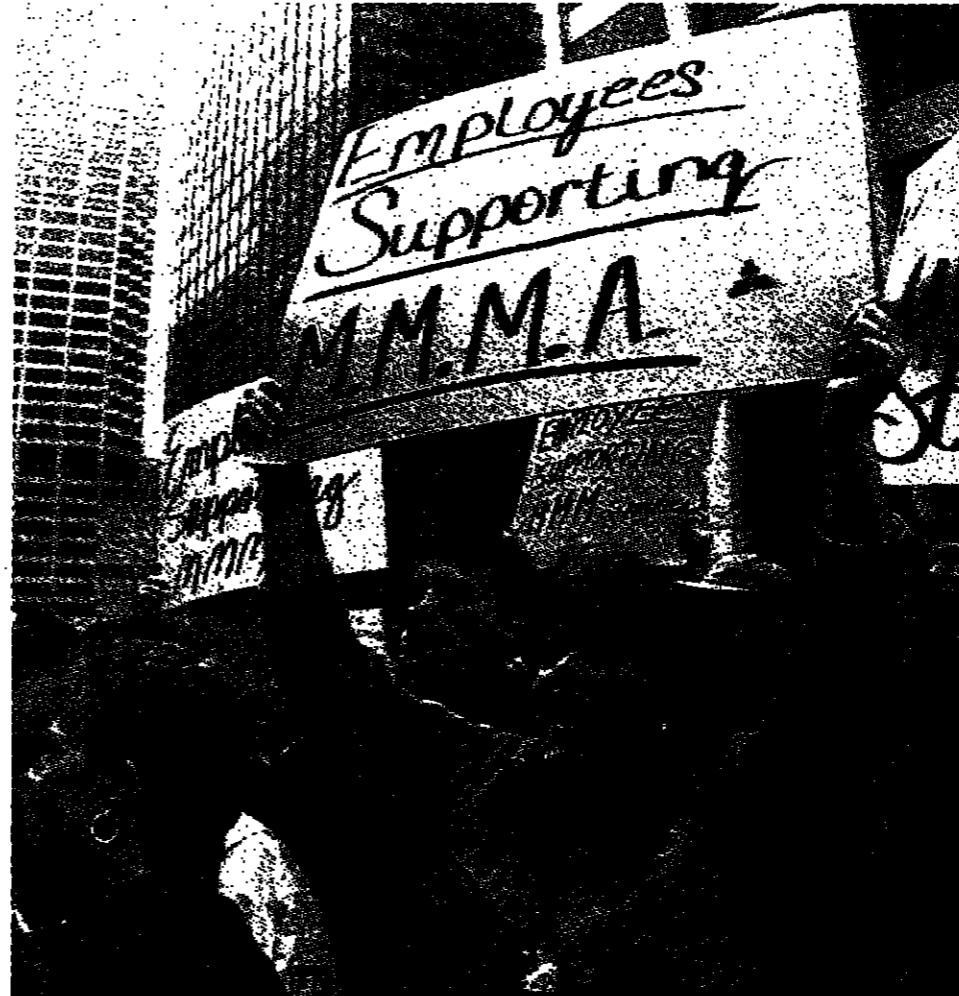
lays part of the blame on Japanese work practices and attitudes to women. This is a potentially explosive issue, which both governments are anxious to play down.

Even the Mitsubishi factory, a long, low white building a couple of miles outside town, is not unattractive: as car plants go, Rabbits and robins hop on the front lawn. A yellow school bus unloads a gaggle of kids headed for a plant tour and lecture.

There are deep roots to this impotent rage. In its heart, Conservatism has never really recovered from the retreat from Suez in 1956. It has refused to confront the reality of Britain's diminished role in the world. For a time, Margaret Thatcher's 1980s sustained the delusion that Britain could remain more than an influential island on the edge of the European continent. But now the veil has gone. Europe bans British beef. How can the government retaliate? It can put the "Great" back in Britain by refusing to fly the European flag from official buildings.

The diminishing but still sizeable band of Tory supporters cannot escape blame. Too many have been unwilling to admit that the pooling of sovereignty in the EU does indeed compromise national decision-making. Mr Clarke makes the case for the unavoidable trade-off. But a few others are heard proclaiming the advantages of engagement over retreat.

Such is the party over which Mr Major now presides. He has struggled to hold it together for the past six years, and has been vilified for his pains. The government's ratings in the polls might well improve. The economic recovery must mean something to the voters. And when you are lying in so deep a ditch it is harder to fall further. But, to paraphrase Norman Lamont, the former chancellor: the Conservatives may be in office but they are no longer in power.



Teamwork: workers were bussed to Chicago to back the company, which closed the plant for a day

is worth, Normal is also home to a big Bridgestone tyre plant, and apparently trouble-free.

Tokyo, meanwhile, has been

putting pressure on MMMA for a quick conclusion. According to the Japanese ambassador to the US this week, his government has "expressed concern" to MMMA executives. Mr Tsu-

neo Ohinouye, the chairman of Mitsubishi Motors in Japan, said last week he wanted the EEOC suit settled.

Mr Schultz is robust in defending the demonstration.

MMMA's conduct has been more aggressive. In one notorious episode, the company last month bussed nearly 3,000 workers on full pay to Chicago to mount a demonstration outside the local EEOC

headquarters. Denuded of workers, the plant was closed for the day.

Mr Schultz is robust in

defending the demonstration. Bear in mind, he says, that this is a workforce trained in Japanese-style teamwork and problem-solving. In response to the EEOC's accusations, the workers formed their own committee.

What sticks in Mr Schultz's craw is the accusation that MMMA condoned the harassment.

The company's policy throughout, he says, has been one of zero tolerance. He would rather go to court as a means of proving it. Given the pace of American justice, the town of Normal looks like belying its name for a good while yet.

As for the note in the locker, that is being investigated. If it proves to be a case of retaliation, existing policy lays down that the culprit will be fired.

Meanwhile, Mr Schultz says, the company is actively pursuing a programme to make it a model for American industry on controlling sexual harassment. It will call in third parties to review its existing practices. It will seek to learn from companies which have done the best and worst jobs on harassment in the past.

But it will not settle with the EEOC. This is not a contest, Mr Schultz says. The company's management and the commission share the goal of stamping out harassment. Nor is it a conflict with the Japanese head office. "Tokyo is being informed, but it's not giving directions or driving this matter."

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As for the note in the locker, that is being investigated. If it proves to be a case of retaliation, existing policy lays down that the culprit will be fired.

Meanwhile, Mr Schultz says, the company is actively pursuing a programme to make it a model for American industry on controlling sexual harassment. It will call in third parties to review its existing practices. It will seek to learn from companies which have done the best and worst jobs on harassment in the past.

But it will not settle with the EEOC. This is not a contest, Mr Schultz says. The company's management and the commission share the goal of stamping out harassment. Nor is it a conflict with the Japanese head office. "Tokyo is being informed, but it's not giving directions or driving this matter."

What sticks in Mr Schultz's craw is the accusation that MMMA condoned the harassment.

The company's policy throughout, he says, has been one of zero tolerance. He would rather go to court as a means of proving it. Given the pace of American justice, the town of Normal looks like belying its name for a good while yet.

Michael Skapinker on problems ahead with deregulation of the aviation market in Europe

An airline faces the fax

States. Next year, European airlines will be able to start domestic services in other EU countries. There are already several airlines in Europe challenging established national carriers, such as British Midland, Ryanair of Ireland and Air Liberté of France.

But Sir Michael Bishop, chairman of British Midland, predicts that next year's deregulation will not add many more independent airlines to this list. While it is possible to build up new airlines in the British Isles, it is far harder on the Continent, he says.

Sir Michael says strict anti-noise rules at some continental European airports mean there is a limit to the number of flights. He adds that while several UK and Irish airports offer discounts on landing charges to carriers wanting to start new services, many continental European airports are more concerned about protecting established carriers.

Airline analysts point out that even British Airways, Europe's most powerful carrier, has struggled to establish successful domestic services in other countries. In preparation for full deregulation, BA took stakes of just under 50 per cent in TAT of France and Deutsche BA. Both are still running at a loss.

EasyJet, which was founded last year by Mr Stelios Haji-Ioannou, a Greek shipowner, began operating to Amsterdam last month in spite of Schiphol's advice, with fares starting

at £25 one-way. EasyJet already runs services to Scotland from its base at Luton airport, near London. It will begin flying from Luton to Nice and Barcelona in June.

Mr Haji-Ioannou argues Europe is ready for low-cost regional operators like those that have succeeded in the US. He has modelled his operation on ValuJet, the no-frills operation. Travellers on EasyJet do not receive any food or drink, although they can buy a limited range of snacks.

Mr Richard Branson, founder of Virgin Atlantic, the long-haul airline, this week acquired 90 per cent of Euro Belgian Airlines, a Brussels-based cut-

price carrier, for £81.8m (£28m). Mr Branson plans to use the carrier, renamed Virgin Express, to fly between various continental European cities. This could include domestic routes, such as Rome-Milan.

Mr Branson was inspired by a flight he took nine months ago on Southwest Airlines, another US low-cost airline. He says there is scope for independent European carriers to succeed in spite of the presence of strong national airlines. In the US, he says, the entry of low-cost carriers resulted in a threefold expansion in the number of people flying on the routes concerned. Ryanair's flights between Ireland and the UK have also led to large growth in total passenger numbers.

However, Mr Branson says: "Although I relish the challenge of doing in Europe what Southwest has done in America, I know there are hurdles to overcome. The cost of operating in Europe is higher than in America. The landing charges in Europe are astronomically higher. The charges to fly through airspace are much higher."

He says: "The experience of the US is that very few entrants survive the first 10 years of deregulation. Very few that exist now were there 10 years ago."

Sir Michael Bishop warns, however, against getting too depressed about the prospects for competitive European air travel. Airline executives are focusing on scheduled services and the effect of next year's deregulation. Europe already has something the US does not, he says: a highly-competitive charter airline market which has already achieved what many EU independent airlines may fail to do.

MARKETS REPORT

Dollar stable

By Graham Bowley

Calm returned to the foreign exchanges yesterday after weaker than expected US jobs figures eased expectations of higher US interest rates.

The dollar had fallen sharply in the previous session after strong GDP data hit US bond and share markets.

But yesterday's figures appeared to contradict the earlier data. The data suggested that the US Federal Reserve might delay any move upwards in interest rates to head off possible future inflation.

The dollar remained stable against the yen but traded slightly lower against the D-Mark. Analysts said it was undermined by the signs of weaker than expected growth and a pick-up in inflation threatened by higher average earnings numbers.

The pound performed well in the wake of the better than expected performance by the

ruling Conservative government in UK local elections.

The government suffered heavy losses but they were not as severe as the markets had anticipated. Sterling had come under pressure earlier in the week on fears that a disastrous performance by the government might force the resignation of Mr John Major, prime minister.

The dollar finished in London at Y104.725, from Y104.675

■ **Pound in New York**

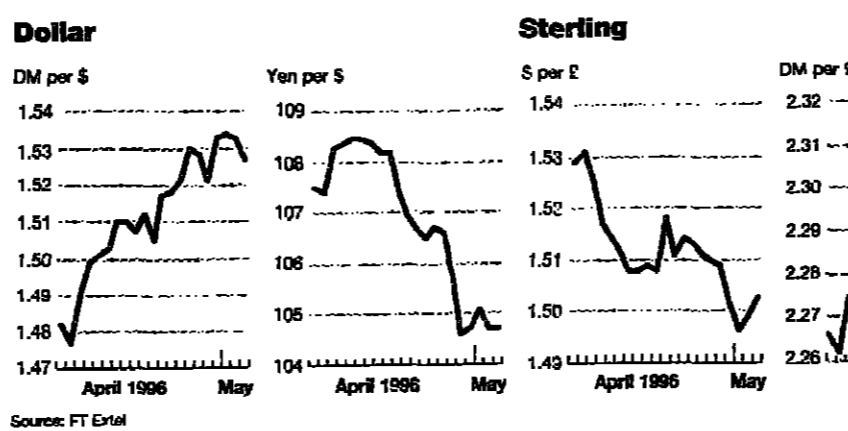
May 3 - Lastest - Prev. close

1 cent 1.5040 1.5000

1 mth 1.5032 1.5022

3 mth 1.5021 1.5016

1 yr 1.4983 1.4969



Source: FT Estat

Sterling finished against the D-Mark at DM2.948 from DM2.982. Against the dollar, it closed at \$1.5025 from \$1.4994.

■ Yesterday's US payrolls data restored calm to currency markets after Thursday's strong growth figures pulled the dollar lower.

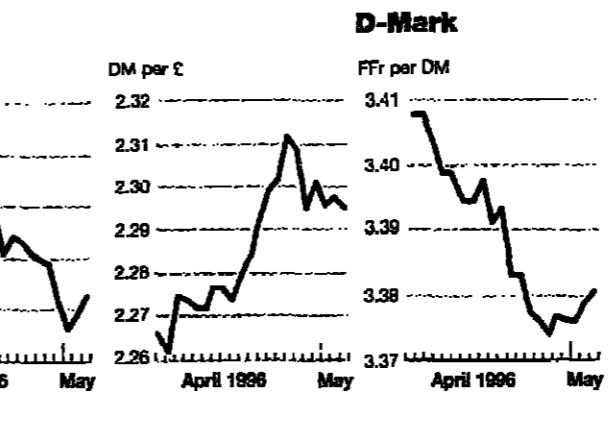
But it appeared to cause great confusion among currency analysts who sought to make sense of conflicting messages about the speed at which the US economy is now growing.

■ Attention on the foreign exchanges this week is likely to revolve around German

the economy grew at an annual rate of 2.8 per cent in the first quarter of the year, but the non-farm payroll figures showed employment rising by only 2,000 last month after large increases in previous months.

Government bond markets also reacted in a confused manner, rising strongly before giving up most of their gains later in the session.

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SWORD OF INTEREST RATES

MONEY RATES										
May 3	Over night	One month	Three months	Six months	One year	Lomb. Inter.	Dis. rate	Repo rate		
Belgium	31	32	33	34	35	37	7.00	2.50	-	-
week ago	32	33	34	34	35	37	7.00	2.50	-	-
France	35	38	39	39	39	37	3.70	-	5.80	-
week ago	35	38	39	39	39	37	3.70	-	5.80	-
Germany	33	34	34	34	34	34	4.50	2.50	3.00	-
week ago	34	34	34	34	34	34	4.50	2.50	3.00	-
Ireland	51	51	51	51	51	51	-	-	0.25	-
week ago	51	51	51	51	51	51	-	-	0.25	-
Italy	94	95	95	95	95	95	9.00	0.90	0.92	-
week ago	94	95	95	95	95	95	9.00	0.90	0.92	-
Netherlands	23	23	23	23	23	23	-	-	3.00	3.00
week ago	23	23	23	23	23	23	-	-	3.00	3.00
Switzerland	2	1%	1%	1%	1%	1%	15.00	-	1.50	-
week ago	1%	1%	1%	1%	1%	1%	15.00	-	1.50	-
US	54	54	54	54	54	54	-	-	5.00	-
week ago	54	54	54	54	54	54	-	-	5.00	-
Japan	8	8	8	8	8	8	1.20	0.20	0.20	-
week ago	8	8	8	8	8	8	1.20	0.20	0.20	-

■ \$ LIBOR FT London

Interbank Bid/offer - 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1%

week ago - 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1%

US Dollar CDs - 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1%

week ago - 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1% 5.1%

Eurodol. Std. - 4.1% 4.1% 4.1% 4.1% 4.1% 4.1% 4.1% 4.1% 4.1% 4.1% 4.1%

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SDR United Ds - 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3%

week ago - 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3% 3.3%

SD LIBOR Interbank living rates are offered rates for \$100m quoted to the market by four reference banks at 11am each working day. The banks are: Barclays Bank of Tokyo, Barclays and National Westminster.

Market rates are shown for the domestic Money Rates, US CDs, ECU & SDR United Deposits (Ds).

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J. H. 1996

Weekend FT



A primitive form of warfare

Yes, rugby union players do sometimes punch each other. But who cares? No one really minds provided that no one gets hurt.

It has always been a tough game, but now that it has gone professional the big money-ups are taking place off the pitch. Now it is all about money: millions and millions.

The top clubs in England and Wales are fighting their unions which set their rules. And the unions are fighting each other: Wales, Scotland and Ireland are objecting to England's grab for a larger share of television income from the European Five Nations championship.

This is rugby's modern world – an era inaugurated on August 26 1995. On that day, the International Rugby Football Board dropped its ban on professionalism. It was a doctrinal shift comparable with that of the Roman Catholic Church in the 1960s when it dropped Latin.

The board's decision marked the final break with the gentlemanly roots of the game a century and a half ago. An inscription set in the old brick wall by the Close – Rugby School's main playing field – declares

And that's not just among the players. Rugby union's governing bodies, the clubs and the broadcasters are having to come to terms with the sport's change of status from amateur to professional. Huw Richards explains why all the problems seem to centre on money

that it started in 1823, when William Webb Ellis, "with a fine disregard for the rules of football", first picked up the ball and ran with it.

It is a romantic story but almost certainly false. The plaque was erected half a century later, after Webb Ellis's death. It is more likely a memorial of the first great battle over professionalism – between those who had codified the original Rugby Union rules and the competing claims of rugby league.

Old Rugbeians first developed the game at Cambridge university in the 1830s and 1840s. So when, in 1885, the league game broke away, the union faction created the plaque to establish the historical authenticity of its claims.

As old Rugbeians fanned out to administer the British empire, they took the game and its amateur tradition with them, particularly to white South Africa and New Zealand.

In most of England, Ireland and Scotland, it remained the game of the upper and middle classes. However, in south Wales it became a more universal

diverse social background. Soccer, with blatant rule-breaking over amateur status by its top clubs, surrendered in 1885. But when the leading north of England rugby clubs started to compensate their players – many of them industrial workers – for lost income, the Rugby Union refused. The dissident clubs broke away to form what eventually became professional rugby league.

Union remained self-consciously amateur, its gentlemanly character defined by Michael Lord, a Conservative MP, a fierce critic of the move to professionalism, as: "Sport is not work. It is what you do when you finish work."

Union's clubs were controlled by members, who elected volunteer officials. Players were members, not employees. They elected their own captains, and were at liberty to miss matches or even change clubs as they wished.

Rugby union took its decisive turn in the late 19th century; it resisted the pressures of professionalism as sports drew rising crowds and brought in players from the early 1970s and leagues to

the 1980s. While national teams played every year in the European Five Nations championship, no trophy was awarded until 1994.

But that comfortable, unchanging world came under serious pressure from the 1980s. Television gave international rugby serious popular appeal. Sponsors started to move in. Greater commitment was demanded of leading players and the introduction of leagues led to competition for top players and widespread allegations of payments. The Inland Revenue has been suspicious of players' real sources of income for some time.

The decisive blow to amateurism was the World Cup, first played in 1987. New Zealand, Australia and South Africa – the three winners so far – have been increasingly impatient of the regulations on amateurism and on the eve of the 1995 final concluded a \$530m television deal with Rupert Murdoch, the media tycoon. Top British players, confronted with the *de facto* professionalism of the southern hemisphere, argued

most matches were friendlies – the national cup competitions, the finals of which are played today at Twickenham and Cardiff, date back only to the early 1970s and leagues to

so much as post-Soviet Russia, having shifted almost overnight from the constraints of a wholly regulated system to having few rules, galloping inflation and a desperately uncertain future.

Now they have it. For most of Britain's and Ireland's 450,000 players this will make no difference at all. For example, Keith Plummer, captain of Woodford, an Essex club playing in a regional league, is in the top 5 per cent. But he says: "Nothing at all has changed for us, or is likely to change. The players here pay a £55 annual subscription, £5 per match and provide our own transport."

And anyone looking at the top level has to remember that professionalism is as much an attitude of mind as an economic status. Richard Moon, organiser of the Rugby Union Players' Association, says of his brother Rupert, who played for Wales: "The commitment top players had to give is such that your career inevitably came second."

The decisive blow to top clubs and players and those who aspire to such status – perhaps 40 or so clubs and a little more than 1,000 players in England and Wales – rugby union now resembles nothing

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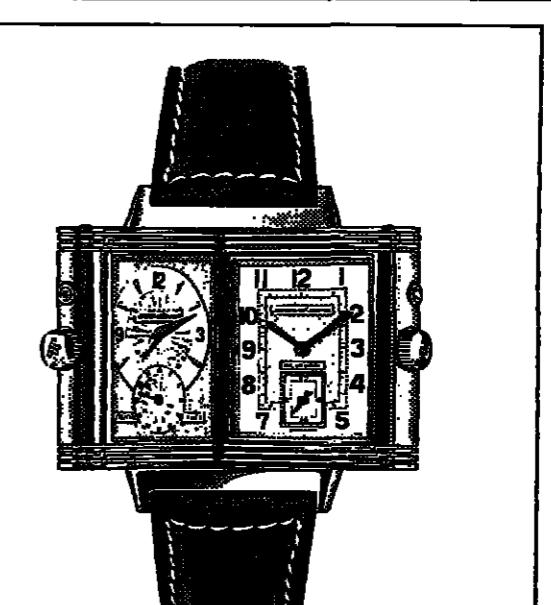
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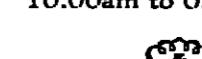


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Joe Rogaly



Lest we forget John Major

The prime minister could prove to be the victim of malign events beyond his control

John Major may be ever in the headlines, but he is on the way to becoming yesterday's news. No, I am not about to curl the lip and sneer that the man who succeeded Margaret Thatcher as prime minister is, shall we say, an indecisive and uninspiring figure. That charred oak chestnut is to be spared a further roasting this morning. It is, after all, Saturday. We should strive to enhance the weekend, to be the lead voices in a chorus of joy.

Some will cry hallelujah at the prospect of events sweeping Mr Major away. Not I. It is too soon for that. We should rather consider what his place in history might be. At present it looks shaky, but one spectacular achievement cannot be taken from him. He rescued the Conservatives after they ejected his predecessor in November 1990. In April 1992 he led them to a fourth election victory in a row. The popular vote for the Tories was greater than for any political party in any previous national contest.

Until very recently it was customary to add other sub-

headings to the chapter entitled "Major successes". Inflation has been brought low and held down. For a while at least the Northern Ireland peace initiative looked as if it might get somewhere. The Conservative party has not actually broken apart, not so far, in spite of the emergence of warring factions within its ranks. Britain retains its place in Europe and looks, or looked, set to remain there.

Every one of these prime ministerial "successes" might now be rubbed out by an unkind fate. Yes, 1992 is indelible, but a fifth Tory victory? Such a forecast would be an unsafe bet for which long odds should be demanded. Inflation? With Kenneth Clarke at his side and Eddie George looking on, Mr Major resisted the temptation to refute his way out of political trouble, but today it is not certain that this steadfastness will last.

The peace process in Ulster may be unravelling. The original proposals drawn up by Mr Major and the then Irish prime minister, Albert Reynolds, constituted a bold attempt to end 25 years of violence. Future historians might ques-

tion the motives of the two leaders, but Messrs Reynolds and Major deserve the credit for the Anglo-Irish declaration. It offered Sinn Fein and the IRA a chance to solicit through the ballot box what bullets could never bring them: a pan-Irish administration.

Mistakes have been made, not least when Mr Major accepted the Ulster Unionist demand for a provincial election before peace talks begin. That was, however, a matter of tactics – understandable, perhaps, while the government depended on unionist votes in the Commons.

The broad strategy remains sound. Neither the Dublin nor the London government could invite Sinn Fein to negotiations in the absence of an IRA ceasefire. The unionists would not attend if they did. Both ministries are committed to the principle that the consent of the two Irish electorates, north and south, must be given for any constitutional change. If reason could solve problems, Ulster's troubles would be over. They are not.

As for Europe and the Conservative party the very use of

the word reason is a joke. Discourse among Tories is rendered incoherent by hot passion. For Sinn Fein and the IRA, a chance to solicit through the ballot box what bullets could never bring them: a pan-Irish administration.

It is a monstrosity. Their inferiority complex expresses itself in impractical phrases such as "national sovereignty" and "go it alone", not to mention absurd platitudes like "federal superstate". Mr Major himself succumbed to this sense of weakness the other day when, according to one account, he referred to his fellow Europeans as "shits".

It was, however, the bone-mot of the season, a succinct reflection of Tory exasperation at the EU ban on British beef. It will assuredly be a footnote in histories composed in the next century. What might the text above say? That the government failed to foresee the political consequences of its announcement that there might be a link between infected cattle and a rare human disease. Reason led the Conservatives to assume that cautious scientists' cautious suggestions would be accepted by consumers. Judgment should have told them how wrong that would prove to be.

The consequence is curious. The original fault lay in the government's handling of its announcement and its tumultuous set of proposed accompanying measures. When you are

selling something to eat, you must assure buyers that it will not kill them. The case for mass culling may not be scientifically demonstrable. Nothing is in this matter, since so little is known. The case rests on the need to restore confidence. Yet the blame for the destruction of the cattle industry is being laid on the European Commission.

I wonder. Could the EU beef ban be the final straw, the one that breaks the Conservative party in two? Listen to the Europhobes with one ear and the sensibly pro-European chancellor with the other and you cannot but conclude that the cement binding the Tories is weakening. The party might yet fall apart. It might be transformed into an aggressively anti-European, National Conservative party.

Such a monstrosity could consign the Tories to as many years of opposition as they have recently enjoyed in power. The good name of Mr Major, who has struggled to prevent such an outcome, would be the victim of malign events. His political epitaph might then read, "Sweet reason trampled down".

PERSPECTIVES

The simplest, most daring and most far-reaching clinical test in the history of medicine took place in Gloucestershire 200 years ago.

In May 1796, Edward Jenner took cowpox from a milkmaid's hand and worked it into a small cut on the arm of eight-year-old James Phipps. A week later the boy developed the mild fever characteristic of cowpox. Then Jenner inoculated him with smallpox - and the deadly disease did not develop.

The principle of vaccination had been proved.

Over the past two centuries vaccines have probably had more impact than anything else, apart from clean water supplies, on reducing mortality from infectious diseases.

There have been several golden ages of vaccine development, for example between 1890 and 1910 when Louis Pasteur's successors developed the BCG tuberculosis vaccine, and in the 1950s when the

The Nature of Things

Vaccines return to full health

After years of being out of sorts, they are now attracting interest and investment. Clive Cookson reports

Salk and Sabin vaccines eliminated polio as a serious threat to public health.

During the 1960s, 1970s and 1980s vaccines were in the doldrums. The pharmaceutical industry sold cheap unpatented vaccines on low profit margins, and spent little on research and development.

But the field is now undergoing a spectacular renaissance. Worldwide vaccine sales were worth \$3bn last year, says Jean Stephenne who heads SmithKline Beecham Biologicals, the world's biggest vaccine business. They are projected to reach \$7bn within five years.

SmithKline Beecham - an Anglo-American company whose vaccines operations are based in Belgium - set the sector alight with the world's first genetically engineered vaccine, for hepatitis B, launched in 1986.

Eugenix B is produced by yeast that contains genes from the hepatitis virus. Its commercial success - sales reached £400m in 1995 - showed that a vaccine could make as much money as a blockbuster drug.

Large pharmaceutical companies and small biotech companies are pouring money into vaccine R&D. More than 100 candidate vaccines are in various stages of clinical trials.

Traditional vaccines consist of whole bacteria or viruses that have been chemically killed or are weaker than the original disease-causing microbe.

By contrast, many of the new generation are genetically engineered "sub-unit" vaccines, like Eugenix B, that contain just part of the microbe - one or more of the "antigens" that stimulate a response from the human immune system.

An obvious advantage of sub-unit vaccines is safety: they are far less likely to cause an adverse reaction or disease than whole microbes.

On the other hand, they do not

provoke such a strong immune response; so one of the most active areas of vaccine research today involves "adjuvants" - added chemicals that boost the response.

Researchers say their new vaccines promise many improvements over current products.

■ **Most important.** it will be possible to prevent a range of new diseases for which no vaccines are available today.

Two of the most challenging long-term targets - and perhaps the most important for world health - are HIV/Aids and malaria; although there are several experimental vaccines against both, researchers face formidable

problems in developing vaccines that will be effective against the various strains of HIV or the malaria parasite.

For travellers, a welcome development will be vaccines against the strains of *E. coli* and cholera bacteria that cause diarrhoea and dysentery.

And parents can look forward to vaccines to protect babies against bacteria such as *S. pneumoniae*, *H. influenzae* and *M. catarrhalis* which frequently cause painful earaches in childhood.

■ As new vaccines are developed, researchers are discovering how to combine more of them in a single shot, so as to reduce the number of

injections needed. A six-fold combination is already in clinical trials for children: diphtheria, tetanus, whooping cough, hepatitis B, *H. influenzae* type b, and polio. Some scientists talk of eventually combining a dozen or more vaccines but others think that the young immune system will not be able to cope with so many at the same time.

■ Oral vaccines are more pleasant and cheaper to administer than injections, so researchers are working on new formulations that can simply be taken by mouth. There are several long-term projects to add antigen genes to fruit and vegetables, which could then serve as edible vaccines.

■ Although vaccines traditionally protect against infection, a future role will be to strengthen the patient's immune system enough to clear an existing disease. Therapeutic vaccines of this sort are being developed not only to get rid of chronic infections such as herpes, hepatitis and HIV but also to treat cancer.

Home Truths

Have bags, will travel

Clive Aslet on a question of status

This weekend I should have spent relaxing in the Lebanon, the Switzerland of the Middle East. Fate and the Israeli military having conspired against this jaunt, I shall probably occupy myself making good a deficiency of which the first stage of packing made me aware: namely presentable luggage.

I find one develops an attachment to one's suitcases. Just as I am sorry to say goodbye to an out-of-date passport, full of old visas and stamps, so I regret having to replace a battered valise with ancient labels dangling from the handle.

Merely to look at such a portmanteau is as good as a holiday. But there comes a time when even the oldest of friends have to part.

The question is: what sort of new luggage to buy? It depends, of course, where one is going. For the impressionable US, the rule is to dress up - at least if the destination is a metropolitan hotel.

I once arrived at a self-regarding San Francisco establishment with a suitcase that had seen better days. Its handle had been repaired with one in a different colour. I felt it gave it patina. The bell captain looked at it with contempt and praised its aesthetic merits in a sarcastic manner.

I was young. I had also failed to tip the man who brought the car from the garage. Altogether an experience to pass over.

Going to underdeveloped countries, on the other hand, one should dress down. At Miami airport, travellers bound for Cuba often have their cases shrink-wrapped in plastic, by special machine, before check-in. Presumably, this is to ensure that they arrive unfurled by the baggage handlers in Havana - a precaution that I did not take and found, on that occasion, not to be necessary.

Some old Cuban hands, or indeed old Cubans, or took this stage further, bringing no suitcase at all. They merely bundled their possessions on to the shrink-wrapping machine. The resulting parcels,

enormous and mis-shaped, looked vaguely like chicken legs clung-filmed for a picnic.

It was amazing that, at the other end, each could be identified by its owner. But the human race has an

extraordinary capacity for recognising luggage. Think how many identical suitcases are sold by Marks and Spencer each year. Then add the number of cases by other manufacturers which look virtually the same. The total must be colossal. Yet at the arrivals carousel, instances of mistaken identity are, in my experience, unheard of.

My present suitcases are completely anonymous. I chose them in reaction to the shiny silver job I owned previously, bought on an afternoon that I unwisely spent shopping with friends.

It was a kind of dare, along the lines of: whoever would travel with that? My wife was not there at the time; she would have restrained me. That suitcase caused me nothing but trouble. Its one apparent virtue was that it would be robust. What a joke. It may have looked like a tin can, but the surface took like foil every time it went on a journey.

It always aroused suspicion at customs. In Helsinki, a formidable woman official selected it as the one suitcase to open, from a departing boatload of passengers, after catching it wrinkling at her.

For luggage, canvas seems to me to be inviting trouble, being too easily marked. To my surprise, I recently observed that a dandified friend of mine, very much a style-setter, carries Globetrotters. Surprise. Surprise, because I use one myself as a briefcase.

It is strong enough for heavy books, and indestructible. If some dreadful calamity were to destroy all life on this planet, I know that my Globetrotter would somehow survive, bobbing on the surface of the waters as an easy witness to the late 20th century's obsession with travel.

But a Globetrotter suitcase might make me look like a wartime evacuee. Equally, I do not want a suitcase with wheels, because that would make me feel like a granny. My ideal would be one that expands at will, to twice the size, since I invariably want to return home with more things than I see out.

Difficult, very difficult. It confirms me in my secret belief that the greatest pleasure in life is staying at home.

■ Clive Aslet is editor of *Country Life*.



Putting up the daisies: Paul Dart (left) and James Glancy

Fergus Wilson

Minding Your Own Business

Christmas all year round

James Glancy Designs would like more seasons in the year, says Grania Langdon-Down

faux-Victorian creations. When it came down we went on with our other careers."

For Dart, that meant, among other things, theatrical work.

He is currently head of design of the Method and Madness Theatre Company. Previous work has included the Diaghilev Exhibition at London's Barbican centre and sets for the National Theatre, London Contemporary Dance Company and Frankfurt Opera. He also designs sets and costumes for cruise liners.

In Glancy's case, his PR company has a turnover of about £100,000 a year. Clients include Evian mineral water.

For James Glancy Design, work is seasonal and so the business has to be able to expand quickly, particularly

before Christmas, when about 30 extra people are taken on. It then shrinks to a core of five or six staff for quiet periods.

To keep costs down, some of the design work is subcontracted to people working from home.

The creation of the decorations, such as 12ft high Beatrix Potter characters and giant fabric presents, is carried out in units under the railway arches in Battersea, rented from Railtrack.

Dart said: "Look at what has happened to shopping centres. The designers have been told we must have daylight" so they include atriums sometimes up to four storeys high, creating churches of retailing.

The centres are, in effect, replacing the village green but they can be very dull. My job is

veying business, are split equally between the design, PR and surveying companies.

The aim now is to push hard for more seasonal work - such as the spring designs at St Christopher's Place - and year-round tasks, such as refurbishing shopping centres.

Budgets for designs and refurbishments range from £2,000 to £27,000. So far, the company has about 30 shopping centres on its books.

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to come along and revitalise that space. And if people do not take a sharp intake of breath when they see it and say 'what's that', there is no point in it."

Last year, their fourth Christmas creation for St Christopher's Place won the London Evening Standard's best decoration award. They have now been given a contract for about £100,000 to decorate the shopping area until 1999.

They have just secured their first "seriously large" contract, worth £150,000, to decorate the Brent Cross shopping centre in north London for the next three Christmases.

The growth of the company is reflected in its turnover, which started at £12,000 with

the first Christmas commission. It went up to £61,000 by April 1993, £74,000 by April 1994 and to just under £200,000 last year. By April 1996, turnover reached £400,000. Profits have stayed roughly between 20 and 25 per cent of turnover. Their forecast for 1996/1997 is turnover of £500,000.

After starting the business during the recession, Glancy is waiting to see how it fares in more normal times: "It would be foolish to say the business is recession-proof" but most people in the retail business feel that at least once a year they have to spend money on decorations."

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FINANCIAL TIMES WEEKEND MAY 4/MAY 5 1996

Robert Graham

Fruths
bags,
ravel
question of standards

PERSPECTIVES

A master forger and his pact with the devil

Robert Graham considers the life of Eric Hebborn, who faked Old Master paintings on a grand scale and made monkeys out of art 'experts'

Poor old Eric Hebborn, the self-confessed art faker of the century. As his coffin was being slotted into the cemetery bank outside a village in the Abruzzi mountains, a Rome magistrate was saying his death was a case of homicide.

This was in January. Since then the magistrate has been noticeably silent. The affair seems to have reached that nebulous stage, familiar in so many Roman investigations, where a case once opened cannot be closed yet no one has the energy or the facts to take it forward.

The 61-year-old artist died from head injuries; but the murder theory looks flimsy. Hebborn was in poor health; he drank heavily and usually walked with a stick. Most probably he fell on slippery cobbles, and could even have been hit by a passing car or motorcycle as that part of Rome's Trastevere where he lived is hazardous for pedestrians. Death was accelerated by being first treated as a drunk vagrant and then shunted from one hospital to another.

There is a temptation to see poetic justice in such a sudden, and perhaps violent, death. After all, Hebborn over the years had hoodwinked almost every expert in the small world of Old Master drawings. On his own admission he off-loaded at least 1,000 of his "new Old Masters" on to the market, which found their way into prestigious private collections and the best museums.

Hebborn was undoubtedly guilty of deception on a grand scale. Nevertheless, he was an extraordinarily accomplished artist and deserved an end less sordid. No one before him has shown an ability to produce convincing work in the manner of so many different artists spanning so many centuries. His new Old Masters went from Mantegna through to Augustus John, with a special penchant for the 17th century. He had studied the Old Masters' drawing techniques so carefully that he claimed to know the speed of individual hands; and he once told me Dürer was the only artist he could not imitate.

Now that he is dead the myth-making is likely to begin. Already Phillips has catalogued a drawing - "Eric Hebborn (1934-95) after Pontormo" (getting the date of death wrong in the process).

And his autobiography, *Dracon to Trouble, The Forging of an Artist*, has been reissued by Mainstream Publishing (£17.50). When first published in 1991, it seemed part of Hebborn's own myth-making process. The story, laced with mischievous humour, had the natural feel of a boozey after-dinner yarn. Though a selective and self-serving account, it threw a fascinating - and disturbing - light on the mysteries of the art-dealing/collecting business.

Why does such a talented artist divert his energies to produce new Old Masters? In Hebborn's case the



Above: Eric Hebborn: on his own admission he off-loaded at least 1,000 of his "new Old Masters" on to the art market. Above right: Anthony Blunt, the former KGB spy, painted by Hebborn. Below right: An example of Hebborn's own style, 'Head of Graham'



Portrait: Christopher

starts with a miserable childhood in London: a cruel mother, removed to borstal aged eight and from then to foster homes until art school. Having had such an awful childhood, he was ready to embrace hedonism. His enormous facility for imitating Old Masters provided him almost immediately with the funds to enjoy himself.

His liberating experience was being a scholar at the British School in Rome, just when the entire city was embarked on the era of *La Dolce Vita*. The sensuality, the light, the sense of the antique and a passionate homosexual affair made Rome irresistible. After this, Hebborn had only a brief interval in London before returning to Rome and its environs which became his adopted home.

Although he regarded himself as a serious original artist and was particularly proud of his sculpture, his autobiography begins with a prologue recounting a tale of one Vincent Van Blank (sic) who is uncovered as having faked a Leonardo. Vincent then breaks down and confesses to a journalist: "Yes, I painted the Leonardo to avenge myself on the ignorant critics who failed to recognise my genius."

Much of what he subsequently recounts bears out the motivation of revenge. The Van Blank tale is also tantalising in the light of Hebborn's confession to a television crew that he completely "restored" dards. His basic rules were: sell only to experts or those buying on expert advice; charge no higher price than one's own work unless the buyer established the price; never hurry experts into an opinion.

Unlike previous fakers, Hebborn understood the importance of attribution and the vanity of experts. He provided the clues, including faked inscriptions and forged collectors' marks; but he let the experts decide. He even left a "Corot" drawing with Colnaghi's for more than three weeks for their experts to study

(and accept). These procedures conveniently saved him from classification as an outright criminal.

From the outset the commercial side of his activity loomed large. He dealt in prints and drawings under the name of Pannini Galleries, first in London and then Rome. The more he discovered he could pass off his "mischief", the more he became addicted to his chosen trade. He set himself high stan-

ding distinguishing the genuine from the fake. Hebborn believed he was entitled to pit his wits against theirs. The villains were not the experts, for whom he had a soft spot, but the dealers.

For all his talent, his self-justification and generosity with friends, however, one cannot obscure the fact that he deliberately deceived people who trusted him. His friendship with Anthony Blunt, keeper of the Queen's pictures with whom he stayed when in London, lent him an aura of credibility.

In spite of being unmasked at the end of the 1970s, Hebborn continued his new Old Masters for another decade relying on unscrupulous middle-men. But his autobiography was for him an attempt, albeit boastful, at catharsis.

He then sought belatedly to return to original work but he discovered that he had imitated others, such as Michelangelo, had also copied. Vasari says Michelangelo had even kept the originals and given away his copies.

Hebborn regarded creating "in the manner of" an intellectual and artistic challenge. One of his prized possessions was a Bassano fragment of "the animals entering the ark". To this fragment he added, after scrupulous study, what he imagined should have been the remainder of the canvas. The sole give-away was an impish monkey in a corner to remind the cognoscenti of Hebborn's monkey-business.

Since the experts earned their liv-

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Hebborn cared deeply about art. No

matter how many red faces he left

among the experts, many of his fal-

sifications were so intelligently con-

ceived that they contribute to -

rather than detract from - the

study of the artists concerned.

Citizens who are failing to be paragons of virtue

Edward Luce on attempts to alter Singaporeans' 'Stone Age behaviour'

William Gibson, an American writer, once compared Singapore to "Disneyland with a death penalty". In the light of the government's decision to promote "gracious living" in Singapore, the author's remark might strike outsiders as preposterous.

The latest morality campaign, which it is thought, will get into full swing later this year, follows hard on the heels of a string of publicity drives of Singaporeans have been bombarded with since independence.

Singaporeans have been exhorted to smile more, litter less, show more courtesy to strangers, give up smoking, combat obesity among children, eat less at buffet lunches and, most consistently of all, promote caring family values.

Passengers on Singapore's underground are confronted with billboards of couples gazing soulfully into each other's eyes, families sharing a joke with intimate togetherness and healthy schoolchildren beaming warmly at the world. Television ensures that Singaporeans do not forget the message once home.

Not do the city's taxis and buses get off lightly. Indeed, it seems almost anywhere the Singaporean casts his glance a stylised paragon grins cheekily back. Disneyland's personal department clearly has a fight on its hands.

A government-sponsored handbook called *Our Family Book*, neatly captures the tone of the family-values campaign. The book, which contains pull-out family-member-of-the-month certificates for displays of kindred virtuousness, is an illustrated dialogue of how families should behave.

Very often Mum and Dad

would join in the fun. That day Daryl and Elizabeth had chosen to do some "Creative Art" exercises. "Right Da," started Daryl, "Da" being his nickname for his little sister; "daring" in short. "Write the letter 'G' and change it into the drawing of a teapot," he said.

"Easy-Peasy," Elizabeth responded with a wide grin on her face, as she began to transform the letter 'G' into a rather crude looking telephone. "Mum, Dad," Daryl called out excitedly, "Look what Da did! It's very nice!"

Da and Daryl are then pestered by their loving parents and encouraged to draw up a list of family duties. The adoring children colour in the phrase: "Be there whenever Mum needs us and obey her always."

Dr Chee Soon Juan, an opposition member of parliament who was dismissed for incompetence from his position as psychology lecturer at the University of Singapore shortly after being elected in 1992, says that the government is barking up the wrong tree. "We have had these incessant campaigns for as long as I can remember," he said. "Somehow we have learned to become deadened to them. We see it as just another facet of our lives with which the government wants to meddle."

One weed which has been causing particular concern to the island state's eagle-eyed élite recently is the population's lack of "graciousness". So worried is the Singapore government by the public's tendency to be uncouth that politicians have denied the island state the right to call itself fully developed.

With a per capita income of \$24,000 - almost 50 per cent higher than Britain's - this reasoning has baffled some economists.

Goh Chok Tong, Singapore's prime minister, spelt out the

methodology in his new year's day address: "We still have a long way to go before we mature as a gracious society... Some Singaporeans still behave as if they are in the Stone Age.

"Within a generation things in the west have declined," said Yeo. "Many in Singapore wish Britain [could still be] what it was in the 1940s and the 1950s - a more honest society."

Singapore is so worried by bad behaviour that politicians have said the state cannot call itself fully developed

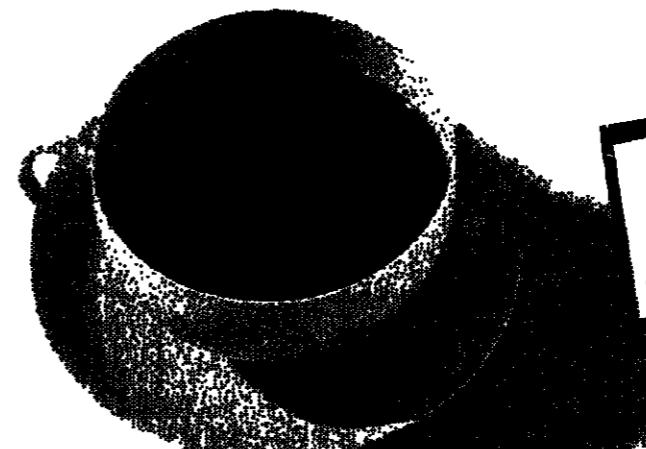
Singapore, he continued, cannot afford to drop its guard for a moment. "Like the weeds in any garden there is no day when you can rest. It's just part of the landscape," he said.

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FASHION



This season the shirt becomes an entirely glamorous entity

Crisp rather than sweet, and definitely not a blouse, the shirt has usurped the twinset and taken the place of a jacket. Karen Wheeler reports

This summer, the shirt is not just a sober item to be worn under a tailored suit to the office. Ever since Gucci showed slim-fitting, 1970s-style shirts in teal blue satin over velvet hipsters last season, the shirt has become a big fashion statement.

Worn over narrow trousers or an A-line skirt for day, reworked in lace, iridescent

organza or stretch satin for evening, the shirt is the cornerstone of summer's fashionably simple look.

It has certainly usurped the cropped twinset as the thing to wear with capri pants; and in some cases is even asserting itself as a more comfortable, hot weather alternative to the tailored jacket.

This shirt is an altogether more glamorous entity. It comes in striking colours and interesting fabrics and textures. Fitted and body-hugging (to the point of looking shrunken), it is cut narrow around the shoulders and is flattering to women of all ages.

Ideally, it should be worn with the top two buttons undone and, if not a hint of

lines and a neat, pointed collar rather than foppish flourishes, pie-crust necklines or Peter Pan collars. It should not be confused with the knitted cotton polo shirt which is undergoing a revival. Nor is it to be mistaken for the baggy, oversized shirt, for long a favourite over jeans or leggings.

The key thing to note is that this season's shirt is crisp rather than sweet - with clean

lines and a neat, pointed collar rather than foppish flourishes, pie-crust necklines or Peter Pan collars. It should not be confused with the knitted cotton polo shirt which is undergoing a revival. Nor is it to be mistaken for the baggy, oversized shirt, for long a favourite over jeans or leggings.

The best-sellers are fitted silk-jersey shirts which come in a variety of colours and styles - in particular a short-sleeved shirt with breast pockets and epaulettes. Younger customers are wearing their shirts tight and fitted in silk-jersey, whereas older Equipment customers will buy the classic silk shirts "which are generally a looser cut anyway," says Ettegau.

The brightly coloured, silk fit shirt is at the forefront of the shirt revival, it is not by any means the only style that is fashionable. This season they range from manly short-sleeved military styles to the overtly feminine. Cropped, short-sleeved, 1950s styles with neat collars in gingham checks or splashy florals are also very popular.

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These skinny fitting styles tuck under the waistbands of trousers or skirts, sit neatly under jackets and allow you to move freely.

Stretch silk satin or cotton are the most popular fabrics, closely followed by silk jersey or shantung. (Incidentally, this is no time to turn your nose up at man-made fibres; synthetics are big fashion news and an obviously polyester shirt is now considered perfectly acceptable.)

At Equipment, the fashionable London shirt emporium - where you can currently find everything from shirts in vibrantly coloured satins to intensely coloured floral prints - there has been a substantial increase in sales in the past few months. (Note that even something in delicate floral chiffon is now referred to as a shirt. The word blouse has fallen from favour and is used only by Marks and Spencer.)

The impact of the shirt often lies in the simplicity of the look. What could be more pared down and perfect, for example, than Jil Sander's crisp black cotton shirt, sleeves rolled up above the elbow, several top buttons undone and tucked neatly into the waist-

In recent seasons, the shirt has been overshadowed by the popularity of knitwear - in particular the twinset - and the close-fitting jacket. So it is significant that Equipment is once again buzzing with customers. Whereas before, people mixed and matched with their existing wardrobe, they now just buy a shirt (or shirts) for the sake of it - "as a single statement, as opposed to something to co-ordinate with a whole wardrobe," reports owner Joseph Ettegau.

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Stretch silk satin or cotton are the most popular fabrics, closely followed by silk jersey or shantung. (Incidentally, this is no time to turn your nose up at man-made fibres; synthetics are big fashion news and an obviously polyester shirt is now considered perfectly acceptable.)

At Equipment, the fashionable London shirt emporium - where you can currently find everything from shirts in vibrantly coloured satins to intensely coloured floral prints - there has been a substantial increase in sales in the past few months. (Note that even something in delicate floral chiffon is now referred to as a shirt. The word blouse has fallen from favour and is used only by Marks and Spencer.)

In recent seasons, the shirt has been overshadowed by the popularity of knitwear - in particular the twinset - and the close-fitting jacket. So it is significant that Equipment is once again buzzing with customers. Whereas before, people mixed and matched with their existing wardrobe, they now just buy a shirt (or shirts) for the sake of it - "as a single statement, as opposed to something to co-ordinate with a whole wardrobe," reports owner Joseph Ettegau.

The best-sellers are fitted silk-jersey shirts which come in a variety of colours and styles - in particular a short-sleeved shirt with breast pockets and epaulettes. Younger customers are wearing their shirts tight and fitted in silk-jersey, whereas older Equipment customers will buy the classic silk shirts "which are generally a looser cut anyway," says Ettegau.

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If Chardonnay is all you make, you get it right. Or else.

Such is the competition among Chardonnays, you need dedication to stand out. James Herrick spent 22 years studying the grape, from Champagne to the Bureau. Then he brought back the technical skills learned in the New World and blended them with Old World savoir-faire in the South of France. He planted Chardonnay and nothing but. He makes his own wine using his own grapes, and no other. And each vintage he produces a classic: elegant, powerful, long-finishing.

Nothing else will do for him. Nothing less should do for you.

Do not turn your nose up at man-made fibres; an obviously polyester shirt is perfectly acceptable

cleavage, at least a glimpse of collarbone.

The fitted shirt is not as impractical or as uncomfortable as it sounds. Thanks to the addition of that magical ingredient Lycra, it does not constrict or inhibit movement.

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The impact of the shirt often lies in the simplicity of the look. What could be more pared down and perfect, for example, than Jil Sander's crisp black cotton shirt, sleeves rolled up above the elbow, several top buttons undone and tucked neatly into the waist-

band of a straight, white leather skirt?

Plain, fly-fronted styles also suit the mood of modern minimalism. Accordingly, although Thomas Pink insists that its women's cotton shirt is aimed at a traditional office-wear market, the fly-fronted style, with or without double cuffs, suddenly looks very fashionable indeed.

For a more casual look, the shirt knotted at the waist with capri pants or side-zipped, slim trousers also looks good.

Against black or white, the effect of a plain coloured shirt in icy green, lilac, bluebell or pink looks really crisp and clean. The Gap, for example, has fitted, short-sleeved shirts in apple green, hot pink or turquoise cotton which are very good value at £21.

Although for now the shirt revival relies on fabric and colour, next to come is the introduction of print.

Gingham checks are already popular, as are multi-coloured candy stripes. Gucci has followed up its successful plain satin shirt with a silk chiffon design boldly printed with

paintbrush stripes, and high street stores have followed suit. Warehouse, for example, has a similar striped design in stretch satin at £34.99.

While garish 1970s-inspired patterned shirts in synthetic fabrics are most likely to appeal to the very young and super hip, there is a growing trend for intensely coloured floral shirts. Liberty style floral prints are about to become very fashionable, and will appeal to women of all ages.

Many of the best designs can be found at Equipment for more than £100. Italian designer Alberta Ferretti's long, fitted silk dupion shirt (£199) available from Joseph is expensive but very flattering over slim capri pants.

On the high street, M&S has some very good designs but these are hidden among a sea of less fashionable blouses and have to be carefully selected. A simple, cropped matt jersey shirt is available in a variety of sherbet colours (£25); there are military style shirts in washed cotton (£21); and a version of Prada's silk shantung in polyester shantung.

Whistles' long-sleeved shirt in lavender satin (£95) is exquisite, while Jigsaw has fitted shirts in menswear-inspired fabrics, ranging from bold stripes to subtle checks, gingham and crisp white poplins. Its masculine stripey blue

shirts (£49.95) look crisp and stylish under navy tailoring. Karen Millen has lace shirts and interesting wallpaper prints in super stretchy cotton/ Lycra, while Agnes B's pink rose-printed cotton shirt (£65) is exceptionally pretty.

over a plain dress.

Bottom left: Jade green splashy floral print shirt in silk crepe, £135, by Equipment, 21 Sloane Street, London SW1, (stockist inquiries from Joseph press office: 0171-629 4774). This 1950s-style shirt features a pretty print and looks good worn over white jeans or capri pants.

Bottom right: Lilac fly-fronted pure cotton shirt, £39.50, by Thomas Pink, 35 Jermyn Street, London SW1, (stockist inquiries: 0171-498 2202). With long sleeves and double cuffs, this is a very traditional shirt but its simple design and fly front make it fashionable. Would work well tucked into a straight skirt.

Illustrations: Kim Datzel

James Herrick
CHARDONNAY

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HOW TO SPEND IT

A new perfume from Chanel is always an event. Chanel, after all, is the house that first exploited the happy and profitable symbiosis between fashion and perfume. Chanel is also the house that with Chanel No.5 has the world's best-ever selling perfume.

Now that perfume is such an established part of most women's lives, it is strange to be reminded that when Gabrielle Chanel launched Chanel No.5 in 1921 it was then a radical and revolutionary move.

Until then, although scents were much in favour, the choice lay between a single floral note or combinations of florals. These faded quickly as the fashionable set tended to douse themselves at the beginning of the day or evening in order that there would still be some scent remaining by the end. Hence, the outrageously perfumed men and women who people turn-of-the-century memoirs.

Edmonde Charles-Roux, in her biography of Coco Chanel quotes from one of them: "The due de Montchy was our nearest neighbor. I always knew when he had walked past on the pavement, because he left it reeking..."

Coco changed all that. When she and Ernest Beaux, the "nose" in whose Grasse laboratories Chanel No.5 was perfected, developed the perfume, they discovered that by

creating a stable formula with the addition of formaldehyde, smaller amounts of it would do. At the same time the complexity of the formula made it mysterious - nobody could quite put their finger on what it was made of.

In addition, Coco, with her intuitive feel for the shift in the zeitgeist that was in the air, delivered this complex, mysterious smell in a graphically simple bottle and gave it a simple numerical name. Overnight Chanel No.5 gave the old powerful floral scents and their elaborate containers "the disowning stigma of the outmoded". And so began one of the most profitable adventures that the world of perfume has known.

Today, Chanel is one of only three houses (Guerlain and Jean Patou are the other two) which develops its own perfumes and has its own "nose". All other houses, because of the economic disasters with which olfactory history is littered, use outside perfume-developing houses and employ a freelance "nose".

Chanel's four leading perfumes (No.5, No.19, Coco and Cristalle) and four small, special ones (Bois

des Iles, No.22, Gardenia and Cuir de Russie) that are sold only in its own boutiques, account for about half of Chanel's world-wide profits.

Part of the reason for the house's

almost golden touch with perfumes may be that it does not go in for frequent launches - Coco, the last new fragrance to be launched, hit the counters in 1984 - and it is only

now, 12 years later, that it is launching Allure, its perfume for the year 2000.

Those unused to the marketing necessities of the perfume world

might assume that what matters most is whether it smells attractive. But you would assume wrong. Concepts, marketing plans, names, market researchers, notions of composite contemporary women - this is where perfumes begin and Allure is no exception.

For Jacques Polge, the resident Chanel "nose" it began with a dream, which he shared with Jacques Helleu, Chanel's resident designer, or "eyes". In the dream, Polge dreamt of someone who "was more than just a woman, and though I don't yet know her I'm already crazy about her. She is the very essence of woman, the woman who attracts all eyes, makes all hearts beat faster, the kind of woman a man never forgets."

Conveniently for Chanel, Helleu responded appropriately. "Allure? Mademoiselle Chanel would have loved that. Allure was her ideal, perfect seduction, free from pretension, elegance, free from the dictates of fashion and society."

He has doubts that something so mysterious, seductive and elusive can be bottled but Polge sees it as his task to bring it off.

Of course, Chanel is telling us this, not because it thinks we have a deep interest in Polge's dreams but because it is doing what perfume houses all around the world have to do to sell thousands of bottles of liquid gold - creating an image that will be strong enough, beguiling enough, contemporary enough, to impel the woman in search of a new fragrance to reach for the Chanel bottle, rather than its equally carefully hyped rival.

Though marketing companies seem convinced that when it comes to selling scent image is what matters, some of us are old-fashioned enough to make our choices on the grounds of whether we like the smell or not.

Allure, it has to be said, smells wonderful. It is rich, mysterious, slightly spicy. In olfactory terms, it seems Allure has broken new ground.

Whereas classically French perfumes consist of top, middle and base notes, Allure is composed of six equal notes that overlap and mingle with no single essence, spice or scent dominating the others. Like most of Chanel's scent it comes in a simple, clear glass bottle adorned with the famously simple lettering.

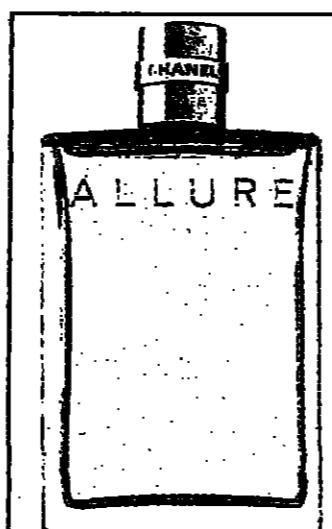
It goes on sale in good department stores all around the country from May 20 and prices start at £22 for 50ml of *eau de toilette*.

The sweet smell of an event

Lucia van der Post reports on the launch of Allure, by Chanel, and finds it lives up to the hype



Coco Chanel would have approved



Keeping it simple: Allure

Uncommon scents

Lucia van der Post follows her nose to report on a fragrant venture

Not so long ago Jo Malone was one of London's best-kept secrets. She looked after the skin, offered the treatments, put together the lotions and potions that perfumed and massaged some of the most famous faces in the world. Queens and Princesses, actors and actresses, and countless other women who heard of her treatments flocked to her small salon in Chelsea to put their skins and faces in Malone's tender hands.

All Malone's creams and oils, lotions and fragrances were developed by her and as a steady stream of her customers began to ask to buy them to take home a new business grew - the development of complete skin-care and fragrance ranges.

Last year she finally opened her own shop at 154, Walton Street in London's Brompton Cross - a jewel of a shop, exquisitely fragrant, in which advice is dispensed and all her products can be bought.

Next week Jo Malone launches another service which will be welcomed by those who have become addicted to her products (the nutmeg and ginger seems particularly to attract fans - possibly because there is nothing else quite like it on the market at all).

The new service is a send-a-scent-direct service. The idea is that those who send flowers or chocolates as birthday, anniversary or thank you presents might like to consider the option of sending something fragrant instead.

What could be a nicer thank you after a weekend in the country than a bottle of Malone's linen spray? At £22.50 for 100ml it is a terrific present and lasts longer than either flowers or chocolates.

One of Malone's more romantically inclined clients gave the object of his affections an initial present of some of the lotions at Christmas. He then arranged that on the first day of each month for a year she would receive another of the products. This is the kind of service the shop offers.

It is as easy to organise as flowers. Simply ring 0171-720 0202 and ask for a brochure which lists all the fragrances as well as the skin-care products. Telephone the same number to order. Prices for sending are identical to the list price but there is an additional 25p sending fee in the UK. To send abroad, the price will be quoted individually.

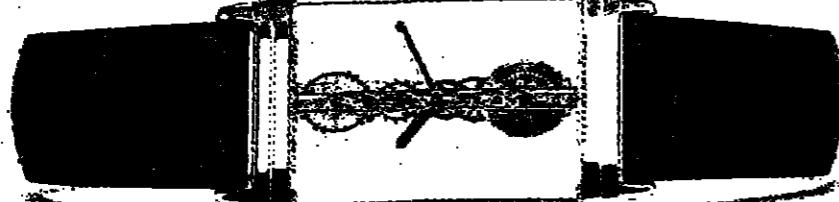
* Demand is so great that Malone regrets that she can take on no new personal clients.

■ Sketches here from left to right, are some of Jo Malone's products: 200ml bottle of lime, basil and mandarin bath oil, £42; mimosa scented candle, £22; and 100ml linen spray, £22.50.

□ Illustration: Brian Poole



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Gandhi's inspiration



From the Egg collection

Khadi cloth, as anybody who has ever foraged in the Khadi Shops in India will know, is the hand-spun, woven cloth that Gandhi so effectively persuaded Indians to weave at home.

It was an inspired move, offering the combination of a moral and a commercial purpose and to this day it is on sale in every hue and colour at astonishingly low prices.

L.v.d.P.



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TRAVEL

The art of Italy made easy

Antony Thorncroft enjoys some of the world's masterpieces

With the waiting to get into the Uffizi this summer likely to stretch to a miserable four hours, and proposals to tax each coach approaching the city a mighty £40, Florence is becoming less and less appealing.

Does it matter? Close by Florence is a clutch of smaller, equally attractive, cities which offer comparable (almost) artistic masterpieces, from paintings to puppets, with minimal hassle. The discerning tourist can rave over Lucca and Pisa, Prato and Pistoia, and hardly regret the loss of the Tuscan capital.

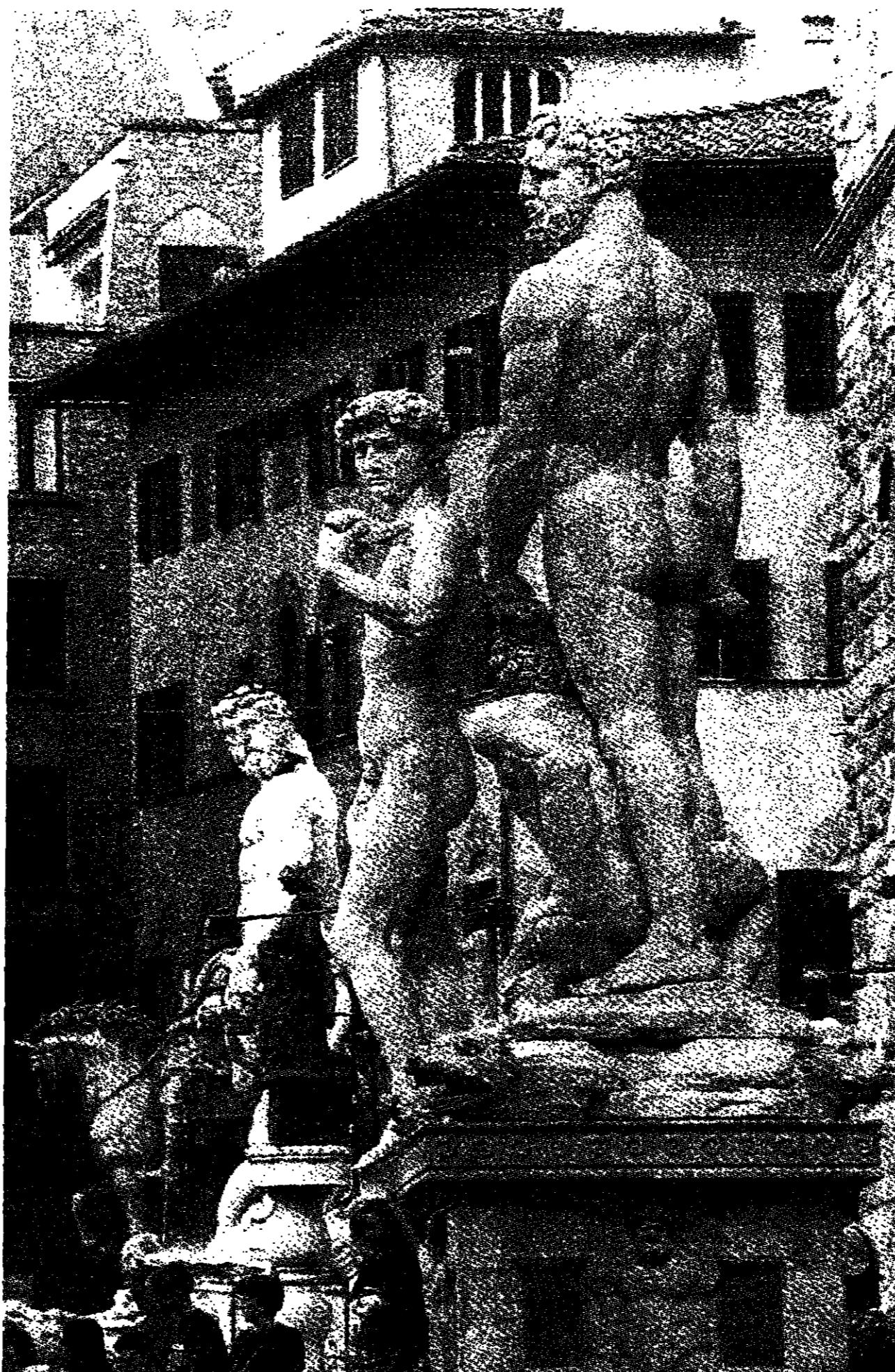
The even more discerning tourist can take most of the hassles out of absorbing Italian culture by employing a guide. Traditionally these were shabby fantasists with the look of retired postal clerks: now they tend to be Oxbridge art historians, with a thesis to sell. Simply Tuscany, the holiday company, employs Richard Chaney for its Art & Architecture tours, who, even in his mid-40s, is maturing nicely into the crusty, opinionated, academic.

To allow more scope for his opinions, and those of the other tour members, Simply Tuscany offers accommodation as a guest in a converted farmhouse north of Lucca. In the evenings there is no escape from your fellow art addicts but since they are all likely to share the same world view this becomes important.

The slothfulness and secuity of dinners spent around a well-supplied table half way up a remote hillside is a better climax to a day's surfelt of churches than wrestling with menus and mattresses in one of Italy's often forbidding hotels.

Chaney has the temerity to browbeat Italy's notoriously obstructive museum guides. One of the highlights of the trip is a tour of the Medici villa at Poggio a' Caino, built by Lorenzo the Magnificent in 1479 (well before Palladio) and the first holiday home to be created for over a millennium.

This year the villa decided to close on the middle Mondays of each month. Chaney spoke and we were allowed into this magnificient dream of pleasure, with a frescoed main salon which



The piazza della Signoria in Florence

white Pisa Romanesque strip, layer upon layer of painted and twisted columns rising like a staircase.

The Luccanese never got around to building the nave at the rear, but the facade was cutely embellished in a 19th century restoration, with a portico of Napoleon III among the gargoyle.

The early church of San Frediano, with the 13th century mosaic on the exterior which opened the eyes of Ruskin to the genius of medievalism, is crammed with memorials, including the mummified corpse of San Xita; a splendid tomb containing the bones of a mythical king; and a font.

Nearby Pistoia has a superb

central square, bounded by a

cathedral, baptistry and two

palaces, and the early 15th century Ospedale del Ceppo, with its

frieze by Della Robbia.

depicting the Egyptians drowned by Moses as fully kilted out Norman knights.

Lucca has medieval treasures but it also has smart

shops and a charming museum

devoted to its most famous

son, Puccini. This is located in a homely top floor flat, and contains early costumes from

Turandot, the Master's piano,

and his wavering last message

which translates "Elvira poor

wife it is finished", all set off with taped music.

Nearby Prato has a superb

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Ospedale del Ceppo, with its

frieze by Della Robbia.

which enables Chaney to dis-

couse on the usefulness of a

belief in purgatory to fund

through charitable works, a

sophisticated medical service.

Prato, the centre of Italy's

textile industry, is the over-

looked star of north-west Tus-

cany. Drive through the end-

suburbs into the old town.

Here all is calm and charm and

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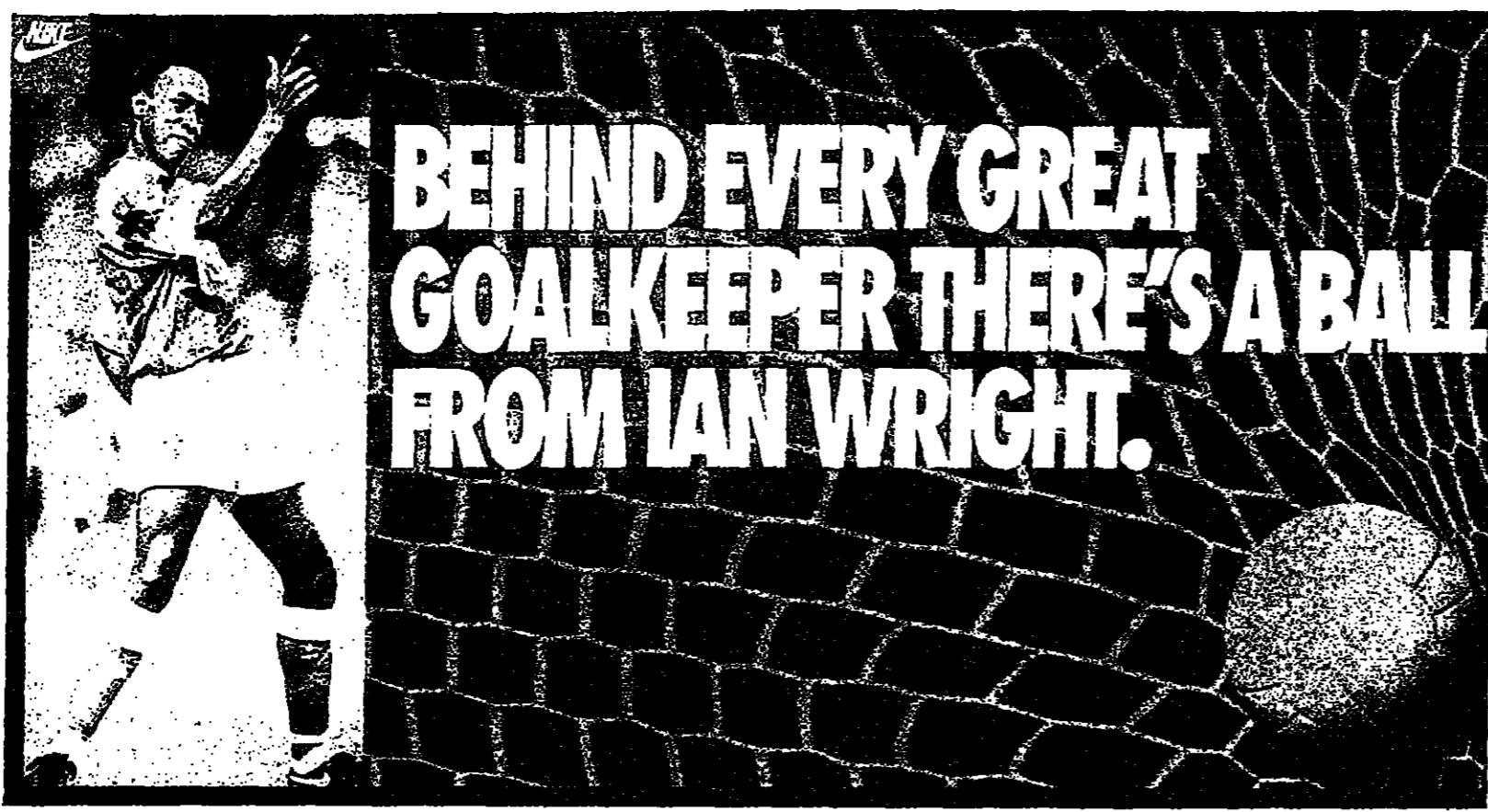
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SPORT

The world doesn't need another hero

Michael Carlson thinks Britain's sports stars have a long way to go before they are marketed as excruciatingly as America's



Wear Ian Wright's boots, be Ian Wright: the marketing of a modern sports star

Once, a British sportsman's universe extended only to the boundaries of the playing field. His kit never changed, he earned a working man's wage, and he mumbled humbly only when asked. Fans followed their heroes through newspapers and radio, collected trading cards or stickers; only the lucky saw them at the ground. Sport had its place, after work on Saturday afternoon.

Things were different in America. Just as Daniel Boone's exploits sold land in Kentucky, or Buffalo Bill's sold Wild West show tickets, sportsmen were quickly being sold.

Babe Ruth played himself in a film in 1933. During the Depression, Ruth held out for \$80,000 a season. Someone pointed out that that was more than President Hoover made. "I had a better year than he did," said the Babe.

The club system, either relentless amateur or ruthlessly owner/worker in structure, insulated British sportsmen from the outside world. No American hero could ever be referred to as a "servant of his club".

Agent Mark McCormack ex-

plained in an interview that clubs' total control of football was strong enough to keep the tentacles of his International Management Group out, because there was no way to promote players. Now IMG is signing footballers, and has made a multi-billion dollar bid for all rights to the World Cup.

Television played a big role in breaking the hermetically sealed world of sports. It pushed sportsmen into the living room, and even popularised new sports. Gridiron and sumo rode the wave of the yuppie 1980s to popularity, Italian and fantasy football followed in the 1990s.

Today, Channel 4 has posters of basketball star Dennis Rodman and his bright green hair all over London. You cannot see Rodman's tattoos, his body-piercing and his *entre* lifestyle, including one season as Madonna's consort.

Sports Illustrated, the US magazine, illustrated a cover story on Rodman with photographs that echoed Helmut Newton. Rodman discussed at length his desire to explore his chances with the run of play?

It is a far cry from Dennis Compton endorsing Brylcreem.

A sportsman turned celebrity can be sold forever. Pete Rose may be banned from baseball's Hall of Fame because he bet on his team's games, but he makes a comfortable living selling his autograph. Charles Barkley, the larger-than-life US basketball star, tells parents he is not supposed to be a role model for their kids. The same parents rush to buy their kids Barkley's Phoenix Suns jersey.

Contrast this with former Olympic decathlete Daley Thompson. Attractive, well-spoken, world champion: if Daley were an American he would be doing movies with Leslie Nielsen. But a wisecrack about the Princess Royal here, confidence turning to arrogance there, and Thompson became a tabloid cartoon.

Daley's insouciance would not matter today. Do not tell the Eurosceptics, but according to one poll of 11- to 19-year-olds, Britain's most popular sportsman is French soccer player Eric Cantona.

The poet of seagulls and trawlers might seem too Gallic in his petulance, but he brings "attitude" to the game: this is a quality once prized more in rock stars than footballers.

Anyone can understand attitude. Gazza's tears, Prince Naseem's Technicolor shorts, even Vinnie Jones's forehead - these are things that are recognisable, and can be marketed.

Before you reach for the Prozac, rest assured that Cantona was followed by racing driver Damon Hill, Giggs and boxer Frank Bruno. The "attitudinising" of British sport is not yet complete.

Baseball writer Bill James once watched the antics of "Neon" Deion Sanders, aka "Prime Time", and asked rhetorically: "Does his persona actually appeal to anyone, or do you think he just gets advertising dollars because the world is screwed up?" He's right.



Another era: Dennis Compton endorsing Brylcreem



Teamwork: boxer Henry Cooper and footballer Kevin Keegan used to concentrate on Brut strength

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BOOKS

A year ago Richard Dawkins invited readers to join him on a voyage down the *River Out of Eden*. Now he holds out the challenge of *Climbing Mount Improbable*. Both books offer rich new parables - if such a militant atheist as Dawkins will accept a word redolent of religion - of evolution as a cumulation of tiny genetic changes. The author is therefore still pursuing the same general theme as his ground-breaking *The Selfish Gene* (1976) and *The Blind Watchmaker* (1988).

Climbing Mount Improbable is written as vividly and lucidly as its predecessors, which means that it is a first class work of popular science. Dawkins weaves another Darwinian spell.

He describes, for example, how

With a slight sense of déjà vu, Clive Cookson finds this author weaving another Darwinian spell

flightless creatures grew wings, and how the eye has evolved from light-sensitive cells on at least 40 separate occasions during the history of life on earth. He even makes sense of the "almost ludicrously tortuous and subtle" co-evolution of fig trees and wasps; each species of fig has a corresponding species of miniature wasp that fertilises the flowers within its fruit.

In Dawkins's metaphor, Mount Improbable is any organism - or part of an organism such as an eye or wing - that seems both too

unlikely and too perfect to have arisen through the random processes of evolution. Such achievements of nature are sometimes cited by anti-Darwinians to support the view that some God-like designer must have a hand in their creation.

The overall message of the book is that the "towering, vertical cliffs of Mount Improbable" cannot be climbed directly. "It was Darwin's great achievement to discover the gentle gradients winding up the other side of the mountain."

Dawkins says sceptics are confused about the role played by chance in evolution. They regard

CLIMBING MOUNT IMPROBABLE
by Richard Dawkins

Viking £20, 308 pages

Darwinism as a theory of pure chance - which would be equivalent to a direct assault on the front face of Mount Improbable.

In fact, the process has two parts.

The first mutation, indeed a matter of chance: fresh genetic variation occurs through random changes in DNA. The chemical of life. But the second part, natural selection is quintessentially non-random - directed by the survival of the fittest mutations.

The downside of *Climbing Mount Improbable*, if you understand Darwinism and are familiar with Dawkins's work, is a slight sense of déjà vu. The parable and its details may be new but the book does not bubble with fresh ideas. Somehow Step-

hen Jay Gould, the American scientist who is Dawkins's only rival as a popular writer about evolution, manages to achieve more variety in his books.

A list of scientific bestsellers in last week's *New Scientist* magazine showed *River Out of Eden* in first place, *The Selfish Gene* third and *The Blind Watchmaker* sixth. *Climbing Mount Improbable* can only confirm the amazing dominance of Dawkins.

Last year he became Professor of

Public Understanding of Science at

Oxford University, having been a reader in zoology since 1970. Now that his main official role is to write and talk about science, rather than to carry out research and teaching in zoology, we can look forward to an accelerated output of Dawkins books. That is a welcome prospect - particularly if he turns his talents to less familiar territory than evolutionary genetics.

For example, so far as I know, no one has yet written a good popular account of "developmental biology" - how genes control the growth of embryos and make all the right connections, from skin cells to the brain. This is one of the most fascinating fields of contemporary science and it would certainly benefit from the Dawkins treatment. How about it, Richard?

The enchanted life of a child virtuoso

Clement Crisp enjoys autobiographies by both Yehudi Menuhin and, below, his wife Diana

In celebration of his 80th birthday, there comes an up-dating of Yehudi Menuhin's 1978 autobiography, *Unfinished Journey*. Menuhin is so extraordinary a figure, his life so illuminating and illuminated (in a spiritual sense), that his narrative must hold the reader fascinated. Yet it is not the musical pilgrimage of his mature career, nor his dedication to the causes of young musicians and of international understanding, that give the book cachet. These are grand ideals for which his concern is seriously expressed. What is so charming, so touching, is his account of his childhood, bright in its detail of people and places, and freshly innocent - as, marvellously, was the wunderkind.

Menuhin is a man of saintly nature as of musical sublimity. What produced the great musician from the plump little boy holding a fiddle in the early photographs; how his wise parents guided him; how his teachers (notably Georges Enesco) shaped his gift, is a unique and valuable narrative. Menuhin tells of his childhood without fuss, a quiet observer of himself, a loving observer of the world his parents made round him. He writes, also, with a felicitous clarity. For anyone seeking to know how a child prodigy was reared, and helped to grow into a superla-

tive artist, the first part of his memoir is an enchanted, enchanting story. Everything is vivid. Characters have a bloom to them - the child was surrounded by exceptional people whose every least activity caught and held his attention - and places (from San Francisco to Basel and Paris) are evoked in the clear light and with the sense of their charm

UNFINISHED JOURNEY
by Yehudi Menuhin
Metheun £20, 380 pages

that the boy first found in them.

His progress is a story of the deepening of a miraculous gift, through contact with Enesco and Fritz Busch, among others. Protected though he was by parents, who placed the boy's genius in the safe harbour of a close family life, Menuhin is without false modesty. "I could at the age of seven or eight play the *Symphonie Espagnole* almost as well as anyone and better than most". This is not arrogance, but a statement of fact. He could not help being gifted, but typically he adds by way of explanation that "Where I was supremely blessed was in having great musicians to inspire me". This blessing he has - being Menuhin - repaid through the instruction given in his own

school for young musicians. The special value of this book lies in Menuhin's portrait of his younger self, of his awareness of his identity, of his ancestry, and his almost fatalistic acceptance of his musical destiny. He was saved by his parents (and by his teachers) from becoming the saddest of things, the professional child prodigy. And because of the simplicity and dignity of Menuhin's temperament, he also saved himself from the terrible damage that can destroy a child virtuoso as he grows up. He is aware of his Jewishness as he is aware of the musical gift that was divinely his, both shaped and ennobled his life. His first marriage and his need to quit the securities of the parental home were his great crises. His second marriage, to Diana Gould, brought him back to his essential self.

The rest of his story is part of the history of music in our century, and is heart-stirring. Lady Menuhin's own memoir thus becomes the necessary commentary upon what Menuhin has done in the years of his maturity. But it is Menuhin's account of the love and care he knew as a boy, which made an exceptional man from a child touched by genius - a touch whose imprint can fade all to quickly - that explain a life as generous as it has been splen-



A miraculous gift: the violinist Yehudi Menuhin and, below, his wife Diana, a former dancer and actress, photographed by Angus McBean

Diana Menuhin calls her memoirs "a totally subjective tale", and aptly so. These are reminiscences which read like table-talk over a long and jolly luncheon, the listener asking for "more, more" as events and characters are recalled and dissected in a bright, colloquial style with a rather 1930's ring to it.

She evokes childhood with the mixed feelings of a girl who found herself too often a victim: of her mother's and younger sister's wit; of mischance and mistiming in her hopes of working for Diaghilev and Pavlova; of her own "volcanic nature". She declares

herself "An Unfortunate Child", though her Anglo-Franco-Irish-Scots family and ancestry was securely bourgeoisie, and her musical mama maintained a stable of three Bechsteins as well as three children, and provided them with a delightful and grandly naval step-father.

Lady Menuhin's sense of being the pawn - unwilling, unwitting - of fate or teachers or stupid managements, is recurrent through the first, pre-Menuhin part of her story.

This charts her early years as a dancer (the tall, lovely Diana Gould) and actress, and as the witty observer of her own and other people's emotions and mishaps. She is, though, a failure *manqué* despite the cussedness of destiny - she calls it The Black Fairy - which she feels always cheated her of opportunities to reach an artistic Olympus, for her marriage to a great musician has made Olympus her home.

From the age of nine, Diana Gould was sent to ballet clas-

for their own good. The young Miss Gould needed all the reserves of resilience she was born storing up to add to her native wit in order to cope with Rambert's barbs. (In her own memoirs, de Mille remembers such cries as "Freddie" - this to the young Ashton - "Rambert is in Notting Hill and Ninette de Valois in Islington. You flounce your bottom like a banner"; or "Deeanne! Do not make jokes. I am tired of your humour. I am tired of your wit. I would prefer one good arabesque to six jokes."

"Diana's face hardens", adds de Mille. And so we gather, did Diana's resolve. Inured to these put-downs, Diana Gould was to find a place as a dramatic dancer in the early 1930s, when English ballet was being made by Rambert in Notting Hill and Ninette de Valois in Islington, if not the greater rewards she hoped for. Her elegance and beauty built a career, despite the interventions of the Black Fairy, and she recalls these days in fine style. The brief

Night Something Awful said the troops who were to be entertained); all are recalled with an indomitable if slightly resigned resilience.

Then the meeting with Yehudi Menuhin and marriage, and the realisation of her destiny. Abundant happiness replaces disappointments. Her eye is still quick for the improbable and the unexpected, but there is serenity and security as well as excitement in the years of travel and home-making. We see the proper shape of a life. Diana Gould, battling with frustrated hopes, turns into Diana Menuhin: the shoe has fitted Cinderella.

Rereadings

Easy passage to India

There are many gateways to India via the bookshop. One of the most recent is David Gentleman's *India* (Hodder & Stoughton £14.95), where he recorded a tour he made in 1983. He went all over the place with his drawing-board: Delhi, the Himalayas, Rajasthan, Ellora, Ajanta, Calcutta, Madras, Karnataka, Bombay and Goa. His sketches of the main sights in each place coupled with his comments make an easy, yet excitingly exotic, read.

Turning to fiction we are perhaps spoilt for good novels about India with the likes of Seth and Ruskin or the earlier Paul Scott and E.M. Forster. But to tackle them represents quite a commitment of time

and will-power. Anyone seeking a less exacting literary route into Indian life with its unique combination of bright sunshine and sombre mysticism should try *Stories and Twenty Stories* by Satyajit Ray first published in the late 1960s and still available in Penguin.

Ray, whose name as a film-maker, writer-director of *The Chessplayers* etc, is a household word, did not write his first story until he was over 40, but after that there seems to have been no stopping him. He died in 1992.

Story-telling was in his genes. His grandfather was a children's writer who edited a children's magazine, *Sandesh*, which Ray's father, also a gifted children's writer and

illustrator, continued. The magazine was revived by Ray in 1961. He produced a version of Lear's "Jumbies" translated into Bengali for the first issue, after which he wrote and illustrated stories between making all those films.

The main orientation of his stories is Calcutta and the world of the Bengali bourgeoisie, the society we meet at much greater length in Seth, but Ray is especially concerned with the plight of the little man working in a humble clerical job; someone whose fortnight's holiday on the road in an ancient Morris Minor takes him into the forest where he has an encounter with the occult in the shape of a holy man and a sacred cobra. Or - in the hilarious "Patol Babu, Film Star" - Ray turned to his own world and the sad fate of a has-been of the industry recalled for one day's location work.

Anyone who has been to India will agree that animal life is as plentiful as human, and it certainly is in these stories. Birds, reptiles and dogs have an intelligence that gives them invincible power over their handlers and worshippers. Ray roams in search of narrative quarry through the sub-continent, even as far as Tibet in a tale

T he Whitbread judges, who some years ago gave James Buchan their First Novel Award, spotted a major talent. Subsequently *Heart's Journey in Winter*, about spying during the Cold War, was acclaimed. *High Latitudes* should earn greater applause. It is set in the late 1980s at the time of the Black Monday stock market crash and follows the fortune of a thirtysomething power-exer-

cient, Jane Haddon, at the top of her career. Faced with the nation's commercial and industrial implosion, she is forced to regain the world of her aristocratic husband whom she divorced after a short marriage. She finds in that upper reach of society "dangers and hardships inseparable with navigation at High Latitudes" - which her husband experienced in the Antarctic whilst escaping from his vapid second wife and from the uncontrollable rage he feels towards Jane. He tells his story by shifts in narrative position, often by indirect, retrospective narration. He will confide in the reader, but sometimes leaves bawling loose ends which later are neatly tied up. His writing is subtle, allusive, designed to divert "a few of my countrymen and women... to reconcile the bickering sexes." He succeeds splendidly.

So does Doris Lessing. It is

said that all good novels are autobiographical, embellished by the imagination: *Love Again* concerns the effects of love on a late middle-aged, almost elderly woman. Sara Durham is a theatre producer who falls in love successively with two much younger men. It is a profoundly reflective novel, an "anatomy of love", which shows the fallibility of that confidence of age: "but I've reached... the evenly lit unproblematical uplands where there are no surprises".

As always Doris Lessing writes about fundamental themes which influence the way we live. Like Iris Murdoch she has deep intelligence, but the substance of her writing is more accessible than Mur-

doch's. She has great humanity and powerful common sense; "beware of condemning people, or watch out for yourself, there is a hard law that says you must suffer what you deserve", and "old women by the thousand - probably by the million - are in love and keep quiet about it." She observes, "There is a terrible arrogance that goes with physical attractiveness and far from criticising it,

we even admire it." Constantly her writing is illuminated by quotations from poets and pop songs, and by allusions to philosophicals about love by Stendhal, Goethe and Proust.

Lessing's and Buchan's novels contribute seriously to the novel genre. *Kraven Images* is of a lesser order. Alan Isler is a farceur: in his first chapter, a dog and bitch locked in *flamme* fall into an open grave at a Jewish funeral. His hero is a fraudulent lecturer in English at a New York college who is resigned to the limits of his students' study of *King Lear*: "It was enough, surely, if by the end of term they all agreed on a common spelling of the mad king's name." There are many memorable lines: one of his characters suffers in her way of talking "the linguistic stigma of her generation... less blemishes than beauty marks." *Kraven Images* is an enjoyable comic entertainment.

The Touch and In the Cut are of an even lower order. There is a gruesome fascination in finishing *Cut*: Julie Myerson's novel: readers want to discover what happens to her central character, an old, deranged, derelict, religious crank, and occasionally in this macabre story there are qualities of writing and atmosphere which bring to mind William Trevor's best work. But *In the Cut* is a crude, violent, pornographic piece of self-indulgence, which, by contrast, exalts the understanding, compassion and intelligence of Lessing's and Buchan's novels.

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Anthony Curtis

BOOKS

The laureate of transcendence

Craig Raine reviews Seamus Heaney's latest poems

He was "hard as nails", "bald as a coot", "safe as houses", "rain or shine"; why is Seamus Heaney's latest trim, efficient, pleasing volume so hospitable to cliché? It is not because his gifts are on the wane. There are two or three superb poems in *The Spirit Level* and characteristic examples of the Nobel laureate's *sprezzatura* everywhere. Even though the opening poem, "The Rain Stick", explores the condition of aridity, it finds there a beautiful, palpable, audible illusion of liquidity and plenitude – which, paradoxically, is more heartening than the real thing. The poem describes the noises produced by seed-grit moving down a length of dry cactus – drip drop drop, cold flushes, gits of rain. The process proves inexhaustively various and the application to a poet in his mid-fifties is obvious as well as optimistic. One is reminded of Elizabeth Bishop's great sextina, *A Miracle for Breakfast*, where sunlight in a dry crumb of bread provokes a vision of a heavenly villa, all white galleries and marble chambers – an equivalent of my father's house with many mansions and a miracle of pure imagination. In Heaney's poem, "You are like a rich man entering heaven / Through the ear of a raindrop". And this is the crucial repeated moment in the majority of poems – the movement from the mundane to the mystical.

Heaney began as a "bullock-briending bard", to borrow Buck Mulligan's (attributed) ironic epitome of Stephen Dedalus – a poet almost

THE SPIRIT LEVEL
by Seamus Heaney
Faber £14.99, 96 pages

unprecedented in his ability to reproduce the reek of rural Derry on the printed page, a writer whose mimetic gifts rivalled those of his great mentor, Ted Hughes. Clive James once wittily summed up this achievement by parodying Eliot: "I will show you fear in a tiful of bait." Heaney himself describes this phase in his Nobel lecture, *Crediting Poetry* (GALLERY BOOKS £5.00), as reposing in what Dr Johnson called "the stability of truth". Meaning the ungainsayable pleasure of perfect mimesis. Peter Ustinov is a renowned mimic whose repertoire extends beyond the merely human to encompass, for example, the Wagnerian intensity of the electric bell. Heaney's dialogue is always authentic but his way with pure sound can be awesome: "the sibilant penumbra of close-down" on the wireless, "a kind of dry, ringing / foreclosure of sound" in a punted soccer ball. These are virtuoso effects. It is odd, therefore, that the sounds evoked in "The Rain Stick" should arrive in the ear as relatively insubstantial and underpowered rather than as convinced renditions: "diminuendo runs through all its scales / Like a guitar stopping trickling." The deliberate mistake (two present participles in succession) is there to mimic the announced, interminable diminuendo. (Compare the last line of "Keeping Going", which repeats the title, concatenating grammatical repetition with a double dying fall matching continuity with conclusion.) Nevertheless, compare this perfunctory sound world with the unchallengeable precision of "A Drink of Water" from *Field Work* (1979): "The pum's whooping cough, the bucket's clatter / And slow diminuendo as it filled..."

There are other moments, too, of faltering here: "Weighing in", a poem about the tentative (and now broken) truce in Northern Ireland, has a wonderful evocation of a "well-adjusted, freshly greased weightbridge – everything trembled, flowed with give and take" (*flowed*) – but is otherwise rather lumpen in its allegorical procedures and laboured expositions especially at those moments when Heaney's once-impeccable sense of

line has forsaken him. Compare the inspired intuitive risk of "But bog / meaning soft" (from *North* 1975 and still his best book, by some distance) with the coarse calculation of the infinitive split across stanzas in "And bearing out, just having to / Balance the inflexible in others." Elsewhere in this poem, the line breaks are either bluntly obvious, or merely occur, counter-intuitively – heavy-handed or haphazard. The sense of "Two Lories" is marred also by the reliance on exclamation to accommodate the required crucial initial repetition. There is padding here as there is in "To a Dutch Potter in Ireland", a translation from the Dutch which subtly exploits an implicit parallel between post-war Holland and

post-Troubles Ulster.

On the whole, though, *The Spirit Level* is a welcome and ambitious attempt to further Heaney's disciplined development beyond the literal to the transcendent. "I began a few years ago," he writes in *Crediting Poetry*, "to try to make space in my reckoning and imagining for the marvellous as well as for the numerous." The marvellous began with the Danish visitors of *Station Island* whose insinuations into existence first manifested Heaney's talent for treating the supernatural: "Something came to life in the driving mirror." Their fadings from the world of flesh were exquisitely managed, too: "he trembled like heatwave and faded"; the downpour loosed its screens round his straight

walk." The biographical poems in *The Spirit Level* make it clear that the phenomenal world of Heaney's childhood was always ghosted by the noumenal – ominous with omens, sodden with superstition ("Piss at the gable, the dead will congregate"). "When the thorn tree was cut down / You broke your arm, I shared the dread / When a strange bird perched for days on the byre roof"). And the title of the book sets Heaney's poetic agenda by its punning ambiguity: on the one hand, it indicates the practical, the straight, the straight-forward, the level-headed; on the other hand, it gestures towards existence at the level of the spirit. It is appropriate, then, that the book's bricklayer should also be representative of the Red Hand of Ulster, one of

The unexplained feminist

The American feminist Gloria Steinem is something of an enigma. Undoubtedly famous, it has never been clear why she is such a celebrity. Unlike Kate Millett, Betty Friedan or Germaine Greer, she has never written an important book; her claims to fame rest on *Ms.*, the magazine she co-founded, and her public image as a glamorous feminist in a mini-skirt.

This is partly because for many years Steinem threw her energies into punishing rounds of public speaking, criss-crossing the US to address women's groups and support campaigns in out-of-the-way places. She championed the cause of immigrant farmworkers in California, pressed Democratic presidential candidates to include women's issues in their platforms, and started the congregation at a Minneapolis church with a speech accusing institutionalised religions of perpetuating sexism and racism.

When Steinem finally out-

lined her philosophy at book length in *Revolution From Within*, she produced a confessional text which bore all the hallmarks of someone who had recently discovered psychotherapy. Steinem's biographer, the author and English professor Carolyn Heilbrun, describes the book as "the culmination of Steinem's belated bout with therapy and her obsessive reading of all she could find on the subject of self-esteem".

This was Steinem's second conversion. The first took place in 1969 when, days before her 35th birthday, she attended a meeting on abortion law reform organised by the Red Stockings, a radical feminist group, in New York. Steinem had never spoken publicly about her own abortion, carried out in great secrecy in London 13 years before, and

she described her feelings at the meeting as "the great blinding lightbulb" which illuminated all the things she had not previously understood. A lifetime of journalists' jokes about frigid wives, dumb blondes, and farmers' daughters that I had smiled at in order to be one of the boys", in Steinem's own words, was suddenly revealed to her as part of the systematic oppression of women. This brings us to another of the puzzles about Steinem's life: why did the most prominent American feminist take quite so long – six years after publication of *The Feminine Mystique* – to comprehend the most basic tenet of feminist philosophy?

Her commitment to the cause, once she had grasped it, was unrivalled. For the next 20 years, she worked late into the night writing articles, raising

funds, setting up conferences, offering accommodation to activists who arrived in New York with nowhere to stay. She insisted on reaching beyond the white middle-class housewives who had been liberated by *The Feminine Mystique*.

The book's most glaring

fault, though, is near-adulation of Steinem. Scoring the notion of objectivity, Heilbrun announces in the introduction that her aim is to write about a woman "who became, simultaneously, the epitome of female beauty and the quintessence of female revolution". What she cannot quite confront is the probability that Steinem is a mediocre writer and unoriginal thinker whose face and personality happened to appeal to the media.

Perhaps this accounts for the troubling undercurrent in the book, the sense of something not being said, which culminates in a weird final paragraph. To the thousands of people she has helped or encouraged, Heilbrun writes, Steinem "is like the mythical Kirby of World War II, essential and ubiquitous: Steinem was here". It is not, I imagine, an epithet that many celebrities would care to have on their tombstone.

Joan Smith

Complicity in war crimes

Nazism's inner enemies were consumed not just by gas chambers and crematoria in the death camps, but by the machine-gunning of naked victims on the lip of mass graves, by overwork and starvation in labour camps, by gruelling forced marches, by brutalities and arbitrary acts of violence that became daily commonplaces of Nazi-gripped Europe. In *Daniel Jonah Goldhagen's* view, there had to be a vast complicity on the part of the German people for so much murder to be done. He argues in effect that all Germans had to be involved, at very least in their silent acquiescence in something so tremendous that they must have known of it.

To establish this thesis Goldhagen investigates three aspects of the Holocaust not closely studied before: the police battalions used to keep order in occupied territories of eastern Europe; labour camps; and the "death marches" at the end of the war, when large numbers of prisoners were moved out of the way of advancing enemy armies. He concludes that very many "ordinary Germans" – that is, people other than fanatical members of Nazi organisations like the SS – were willing to murder Jews, even though

they could without sanction have refused to do so; and they were willing because German culture had long been deeply imbued with "eliminationist anti-Semitism", the view that Jews are sub-human and must be extinguished. Goldhagen's book bears the marks

of the academic thesis it originated from in its ponderous structure. But it brings much interesting new material into focus, especially the role of "Police Battalions" in the murder and mass deportation of Jews. There is harrowing detail here, and real additions to knowledge.

But Goldhagen's argument invites opposition because of its generalising imputation of guilt. This threatens an injustice. The horrors perpetrated by many Germans under Nazism should not obscure the fact that many other Germans risked resistance. There is

no mention by Goldhagen of Anton Gill's recent book, *An Honorable Defeat*, which records this side of the story. Between Hitler's rise in 1933 and his death in 1945, Gill relates, three million Germans spent time in prison or concentration camps for political or resistance activities. Efforts were made to overthrow Hitler, a number of them involving assassination attempts: bombs in Smolensk, Gerdorf and Rastenburg, guns elsewhere. This shows that there was honour as well as horror in Germany in those frightful years.

Those who dissented risked a brutal encounter with the Gestapo; many took that risk.

A.C. Grayling



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ARTS



Art of a high order: 'The Raffenberg Family', 1830, by Wilhelm Bendz, who was to die tragically young at the age of 28

Idyllic calm of Denmark

William Packer admires the work of two artists which epitomises the country's Golden Age

In Denmark in the early years of the 19th century there emerged a distinctive national school of painting which has long been known as Denmark's Golden Age. For while there have been notable Danish painters since, from Kroyer to Nolde, only in that first period was the character of the work so particular to Denmark. Cast in the very clearest light and in sharpest focus, it is charged with an almost febrile intensity of mood and atmosphere, an idyllic calm fixed in the eye and the mind for ever.

Two painters of this period are now celebrated by major exhibitions at Copenhagen. Christen Kobke, born in 1810 and dead at 38, is by now widely appreciated outside Denmark as the world at last begins to accept the quality and importance of national schools, and that painting in

the 19th century did not begin and end at Paris. Wilhelm Bendz, born in 1804 but dead even sooner at 28, is as yet little known, even in Denmark.

And yet his small body of work - mostly portraits and figure compositions, along with a few small landscape studies made on his fatal journey into Italy in 1832 - shows us that had he not been so abruptly taken off by typhoid, Bendz would have established himself as at least the equal of any of his contemporaries.

He was obviously admired by his fellows, and in 1830 the young Kobke, still a student at the Academy, gives us a clear hint of the man, with his curly hair and frank, open, half-smiling face. This tiny portrait was borrowed by other painters to copy, and Kobke himself made a second version some years later. One is from the Hirschsprung Collection itself,

other from the National Gallery in London, and the jury is still out as to which is which. I suspect the former was the first.

Bendz, like Kobke, had studied at the Copenhagen Academy, where C.W. Eckersberg was master. Eckersberg had brought back from Paris, where he had worked under David, an insistence on the prime importance of study direct from nature. For Bendz this meant not just the life model, but the life of the studio itself. It is not the conventional neo-classical composition he put in for the Academy's prize medal of 1825, but his painting of the life class itself the following year that is remarkable. A student on a ladder lights the lamps for the evening class; the kneeling model, brightly lit, supports himself by the looped rope overhead, and ranged in tiers in the sur-

rounding gloom the students work away as the teacher comes round. It is a scene familiar to anyone who was ever an art student these 250 years past, or would have been until 50 years ago.

Indeed the artist in his studio amid his working clutter, or at leisure at a smoking party or beer cellar, supplied Bendz's true and constant theme. He was a master, too, of this, this means not just the life model, but the life of the studio itself. It is not the conventional neo-classical composition he put in for the Academy's prize medal of 1825, but his painting of the life class itself the following year that is remarkable. A student on a ladder lights the lamps for the evening class; the kneeling model, brightly lit, supports himself by the looped rope overhead, and ranged in tiers in the sur-

rounding gloom the students work away as the teacher comes round. It is a scene familiar to anyone who was ever an art student these 250 years past, or would have been until 50 years ago.

Wilhelm Bendz - 1804-1832: den Hirschsprung Samling, Stockholmsgade 20, Copenhagen, until May 27. Christen Kobke - 1810-1848: Statens Museum for Kunst, Solvognsgade 48-50, Copenhagen, until May 27. Flight courtesy of SAS.

make the Danish golden quality the more particular and stronger.

A passion for collecting

Susan Moore canvasses a cross-section of London-based dealers for advice to first-time buyers

The urge to collect something - be it stamps, biscuit tins, Van Gogh or first editions of the *Vulgata* Bible - seems latent in most of us. In the case of real collectors, enthusiasm rapidly turns into obsession. For the rest, doing the rounds of the galleries or "antiquing" is a pleasurable recreation, maybe even a domestic chore.

In the good old days, of course, it mattered less if you had limited means. I call to witness the heroic example of James Hooper, an assistant sanitary inspector who at the height of his career earned no more than £55 a week but amassed one of the great collections of primitive art. Christie's sold it in 1986 for £2m.

Whether fuelled by passion, acquisitiveness, the desire to order and classify, or by social ambition, today's aspiring collector should pause a moment to reflect. Does it matter if what you want to collect is only rarely available on the market? Putting together any kind of significant group of, say, gold-ground Italian panel paintings might take a lifetime. That is why they are relatively inexpensive.

What will your hard-earned disposable income buy for you? Perhaps more important, given the addictive bite of the collecting bug, how often would you need to bring home a new prize? Buying for investment seems a miserable notion, but it is reasonable to buy prudently or search off the beaten track for objects not hotly contested in the salerooms. Committed collectors have always been way ahead of the market.

Those who feel they would like to collect something but are not quite sure what, could follow the lead of many American collectors who extend their professional interests into the art market and on to the walls of their homes.

A successful architect might collect architectural drawings, for instance - a producer, costume or set designs for theatrical or ceremonial events. There is no doubt that the more time and energy invested in the project, the more pleasure it will bring. It is not uncommon for casual buyers to turn into the most hard-nosed and highly knowledgeable collectors.

What the newcomer can be more or less guaranteed is a warm response from any dealer or auction-house expert. New blood, except in the case of contemporary art, is

becoming a rare commodity, and the absence of a new generation keen to learn is lamented by many among the trade. I canvassed a cross-section of London-based dealers for their advice to those taking their first tentative steps into the art market.

Peter Nahum, 19th and 20th century British art:

"There are so many neglected aspects of European decorative art. If in the last 20 years I had an enthusiastic collector of European lacquer, say, we could have created the world's greatest collection with no trouble at all."

Jay Jopling, White Cube: "I tell people to educate themselves about what they are looking at, and in the immediate history of contemporary art. I like to buy against the market and not on

What the newcomer can be guaranteed is a warm response from any dealer or auction-house expert

it. There are always two questions to ask. Is it good enough and can I afford it?

"The other rule is patience.

The buyer must have the discipline to wait for the right quality work to come up, and then have the courage to pay the right price - something determined by the rank, quality, rarity and future value of a picture. For those starting at the bottom end of the market, there are still so many significant things which are grossly out of fashion and wonderfully cheap."

"Go slowly, keep cool," is the advice of furniture and works of art dealer Alan Rubin, Pelham Galleries.

"Serious collecting needs time to develop. It usually begins in a serendipitous way with people buying something and then discovering it interests them. Try to find a focus where every small addition to the collection illuminates the other pieces.

It does not have to be a collection in which everything has to be of

great value but it has to have merit.

"There are so many neglected aspects of European decorative art. If in the last 20 years I had an enthusiastic collector of European lacquer, say, we could have created the world's greatest collection with no trouble at all."

Peter Nahum, 19th and 20th century British art:

"The advice I give is try to follow myself. I like to buy good works of art rather than the decorative. I like to buy against the market and not on

it. There are always two questions to ask. Is it good enough and can I afford it?

"The other rule is patience. The buyer must have the discipline to wait for the right quality work to come up, and then have the courage to pay the right price - something determined by the rank, quality, rarity and future value of a picture. For those starting at the bottom end of the market, there are still so many significant things which are grossly out of fashion and wonderfully cheap."

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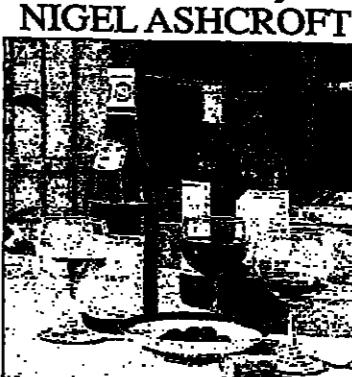
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Weekend FT

ARTS



Father Gregory Wilkins, Kellham, Nottinghamshire, England, 1963: Arnold's poise, compassionate portraits are a world away from the social and political tensions of the day

A too-sympathetic lens

Richard McClure longs for some cynicism to creep in to the work of Eve Arnold

When the 1960s broke out in its rash of trouble-spots, photojournalists worth their salt headed for Saigon or Prague. Not Eve Arnold. Instead, she could be found on the Wilshire film set of *Dr Strangelove* photographing Rex Harrison surrounded by names or watching the Queen inspect northern fusiliers during Operation Springclean.

But it would be unkind to suggest that Arnold has spent her life recording the quaint irrelevances of our times. For almost half a century, her visual anthropology has embraced prime ministers and Mongolian monks from a range of assignments for the Sunday Times, Time and Life magazines which has now been assembled for a vast retrospective, opening at The Barbican gallery on May 5.

It is her second major show in London in less than five years. Britain, where she lives, has proved far more receptive to her work than her native US. Indeed, when New York's Museum of Modern Art mounted its comprehensive survey of American photography last year, Arnold was pointedly ignored.

The exclusion is understandable. The seventysomething photographer (she refuses to divulge her age) has never been at the pioneering fore-

front of her medium. In 1961, as her more experimental compatriots took up themes of urban dislocation by exploring America's "social landscape", she left the US and settled in Mayfair where she began to document the more genteel landscape of her adopted country.

Her polite portraits of vicars pushing lawnmowers and dukes going shooting are a world away from the social and political tensions of the day.

Such sensitivity is unusual, but not without precedent, among photographers. After entering the Belsen death

Her distaste for life's brutalities springs from a belief that photography can be an ill-mannered intrusion

camp with Allied troops in 1945, George Rodger, one of Magnum's founders, vowed never to cover a war again. Yet more than most, Arnold subscribes to Henri Cartier-Bresson's credo that "at the moment of death and at the moment of love, one should turn away". The result is a compassionate eye which is more affecting than her empathetic and steadfastly unsentimental studies of a Russian couple in the process of divorcing, or a defeated Havana prostitute slumped across a bar. Her formal colour portrait in which three wounded US Marines stare grimly at her lens is as effective a critique of war as any brazen image from the front.

Arnold's civility has worked in her favour, gaining her access to the closed societies of a Vatican convent and a Middle Eastern harem. The same unfailing courtesy also accounts for the weaknesses in her work. At times Arnold shows too much deference to her subjects, like a guest anxious to please her host. This reverence blunts her craft.

Assigned to photograph Malcolm X in 1960, Arnold felt so "privileged to work with one of the most dynamic leaders of the century" that she meekly compromised as the Black Moslem leader stage-managed every shot to portray either smiling benevolence or supreme detachment.

During her career, Arnold has supplemented her income by taking stills photographs for dozens of films (including *A Man for All Seasons* and *Cleopatra*) and she has described how she initiates a "working friendship" with the actors on set. This cosy relationship often spills over into her other portraiture. Both Marilyn Monroe and Joan Crawford were wily enough to recognise an ally in Arnold's sympathetic lens, enlisting her to photograph them over several years. Although these pictures are sufficiently distracting - Monroe hitching up her skirt in a ladies' rest room, Crawford dyeing her eyebrows - there is little sense of Monroe's weary malice or of the snarling meanness of *Mommie Dearest*.

Arnold's role is more trusted confidante than voyeuristic outsider and while her methods are certainly honourable, such relentless good manners can prohibit any real disclosure.

Frequently, one longs for some cynicism or cool detachment to creep into the pictures. Even when confronted with a subject she privately loathed - Margaret Thatcher - Arnold admits her "sense of fair play" ensured she produced a flattering portrait - next to a bust of Churchill, no less - which only perpetuated the Iron Lady image.

When this photograph was shown as part of the *Eve Arnold: In Britain* exhibition, the National Portrait Gallery held a champagne reception for a thousand guests and Arnold confessed that, surveying the scene, she congratulated herself "Not bad for little Evie from Philadelphia". Yes Evie, not bad, but it could have been even better.

Of innocence and experience

Alastair Macaulay on a staging that is true to the spirit of Dennis Potter's take on childhood

The world of the late Dennis Potter, at its most characteristic, is at once entertaining and disquieting: intensely ironic and highly complex to experience. The great achievement of Patrick Marber's staging - at the National Theatre - of *Blue Remembered Hills* is that, from its first moments, it plunges us straight into that uniquely Potterian mental climate and makes us enjoy Potter again as a serious, peculiar and witty dramatist.

Blue Remembered Hills is typical Potter - as *Son of Man*, staged last autumn by the Royal Shakespeare Company, is not. In *Blue Remembered Hills* (originally written for a 1979 BBC film), a play about childhood in the second world war, Potter dramatises the complexity of simplicity and shows us innocence shot through with experience. The seven children here keep imitating adults, keep inflicting violence upon each other, keep playing games that get out of hand; and eventually this leads to death.

But, if these were all, *Blue Remembered Hills* would simply be a rehash of Golding's *The Lord of the Flies* or Vigo's *Zero de Conduite* - in which we are wholly returned to the intensity of childhood experience. Potter, instead, keeps reminding us that he is investigating lost time.

Potter's production is brilliant in catching this. Not only do adults play children (as in Potter's original); their fights are accompanied by the adult music of 1940s swing, jazz percussion is used to sound like 1940s gunfire, and Richard Hudson's set is a vast toy Arcadia of rural English hills, with static toy cows, ducks and sheep on a life-size scale, around which these outsize children play with imitated innocence.

The very opening is a great

scenic *coup de theatre*. We see this rolling landscape against its blue sky; we take in its artificial quality, and then up pops the head of a "boy" over the top of this box set, outside this little world and peering in. He bites an apple (the gesture that shattered Eden), and its noise is amplified, to sound like an axe cleaving through wood. Hearing an acceptable overhead, he "being" a boy, runs up and down the set, "being an aeroplane".

The point of Potter's world, in fact, is that it is not a world. The characters are inside and outside themselves and inside and outside their landscape. In this staging they even cast large shadows on the sky. In their mock-childish frustrations, they deliver kicks to the toy animals and even the toy church tower (from which a bell promptly sounds "dong"). The past is seen as hindsight; childhood is played as an adult re-creation of a lost condition: history is overlapped with popular entertainment; nostalgia is blended with cynicism.

And innocence is spiced by sin. To every bud its worm. We follow this tale of childhood games and disaster to its dire conclusion, we are shown guilt and cruelty and misery, and the ironies of Potter's dramatisation, perfectly caught in Marber's staging, leave us in no doubt that we are watching youthful activity through the filter of adult reflection. The strange thing is that we never lose sight of the fact that these children are innocent, and artless, and helpless. Charming, too. *Blue Remembered Hills* is frequently funny, touching, blithe.

Occasionally, however, it palls. Some of the actors' replication of gawky childhood is rather overdone; in particular there is too much fidgeting that preserves it.

At the Lyttelton Theatre, South Bank, London SE1.

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Television / Christopher Dunkley

Music on the brain

The three part series *Music And The Mind* which begins on Channel 4 tomorrow evening is simultaneously one of the most fascinating and promising series ever made about an arts subject and one of the most irritating and frustrating.

The press blurb begins "Why does music move us to tears? What do we mean when we say someone is musical? Why does music make us want to dance?" The series, produced by Jonathan Hewes and directed by Margaret Williams, wins admiration for simply being bold enough to address such a daunting subject. However, it does not actually ask any of those three questions, and therefore, naturally enough, does not answer them. It does ask closely associated questions - What is music for? Is it a means of communicating emotion? Can a computer ever be truly "musical" - but it never really answers these either.

Perhaps that is hardly surprising. After all, these are the sorts of question which go to the heart of the eternal conundrum about art. What is art? Why do people create it? What is it for? Or is that last question meaningless because the whole point of art is that it is not for anything? Presenter Paul Robertson, visiting professor of music and psychiatry at Kingston University and leader of the Medici String Quartet, clearly believes that human beings have an innate talent for music as they do for language and that the purpose of music is, indeed, to express emotion. The series appears to be based upon his belief that science has now advanced far enough to allow us for the first time to investigate such matters objectively.

He begins by trying to show that music is innate in all of us, how Stephen Wade, after a massive stroke, cannot speak, read or write yet can still compose music; how an elderly confused patient "reacts" to a familiar tune; how Elizabeth Varlow plays the viola with the LSO though she is profoundly deaf; how a French patient who cannot tell whether two simple sequences of three notes are the same or different can still tell whether music is sad or happy.

But was anybody ever in any doubt that music is closely connected with emotion? It is interesting to see that when the French patient is being tested it is not Stockhausen or Cage that is played to her but pieces from the standard classical repertoire. Throughout all three programmes Robertson neatly evades the crucial question of whether it is something about melody, rhythm and harmony which creates the universal human appreciation of music.

There is a famous photograph of a South American Indian listening for the first time to Mozart, his eyes shut in what appears to be ecstatic pleasure. I doubt whether you would get the same reaction if you played Berio to him. But if melody, rhythm and harmony really are at the heart of music's universal appeal, what does this say about the sort of modernist cacophony which professional musicians seem to favour so much more than the general public? It is a question that musicians always seem loath to address and, sure enough, it is ducked continually in *Music And The Mind*. At one point Robertson is very nearly obliged to acknowledge

it when he is told that all over the world musical styles employ intervals that seem to be closely associated with the human pulse, but in the end he manages to avoid it again.

His chief preoccupation, it turns out, is the sort of investigation that allows you to make actual measurements of something. For instance, blood flow measured in the brain of a musician as he plays Bach on a keyboard, and then plays scales. It turns out that there is more activity in areas of the brain associated with expressiveness and emotion during the Bach than during the scales. But, once again, is that not what most people would assume?

We hear from a German doctor who reduces the amount of anaesthetic used in operations by playing music to his patients. We learn that there is an area of the brain dedicated to remembering the music we hear between the ages of eight and 11. Having been told so often that birdsong is the expression of a territorial claim, here we are told that birds may sing purely for pleasure.

Fascinating. But at the end of three one-hour episodes I have no more idea than I had when I started out why my mother, relying solely on her ears, was able, after hearing a complicated piece of music once or twice, to reproduce it virtually note-perfect on a piano, not only in the left hand but with all the harmony filled in, whereas I, after three years of lessons, was unable to master the simplest exercises in the "Piano Tuning" book. It is all very well claiming that musical appreciation is a universal human attribute, but musical ability seems as unevenly distributed as any other talent.

Radio/Martin Hoyle

An enthusiast's junket

Tonight, if you will excuse the expression, is the night. Radio 3 grows up or, if you will, gives in. Either way, it stays up all night. With *Through the Night*, starting at 1am, the station begins its 24-hour schedule. This week Smetana's cycle *Ma Vlast* provides a thread, a serial if you like, starting with *Vyssehrad* tonight or rather at five tomorrow morning.

Also tonight: orchestral and chamber music features; tomorrow Pavarotti sings in *Bohème*, followed by Early Music and Traditional Armenian music, and so on. Good luck to all who sail in her. Thanks above all for freedom from Gambaccini. This might have struck some bright spark as an ideal slot for the bland to lead the insomnia.

Frankly I would not mind Trevor Brooking introducing the odd *moreau*, or Richard Wilson; or Rory Bremner. All of them feature on the CD that comes with the booklet for this year's BBC Proms, talking about a particular piece of music they claim to be looking forward to hearing.

Anne Robinson describes walking her set in Kensington Gardens while happily noting the queues outside the Albert Hall and observing that some bits of England never change. She agrees it is far more fun to be Promming than sitting in the boxes; but carefully omits to say whether she will actually be going this year.

Jeremy Paxman likes the "slightly mad" atmosphere. Ned Sherrin chooses music by Benjamin Britten probably because he can pronounce it. Richard Wilson, alias Victor Meldrew, reveals himself as a closet conductor who once bought three batons in Glasgow and conducted Beethoven's Seventh in decent privacy.

Paul McCartney chooses the Rodrigo Guitar Concerto, an aptly banal and kitschy selection for one who claims to have been interested in serious music for a quarter-century, though the Liverpool Oratorio gives this the lie.

Judi Dench recalls skipping classes at Central to hear music rehearsals at the Albert Hall; and John Peel brings a predictably dreary note of glib laddishness to the proceedings, meticulously hiding his public school accent to warn us that he might shout "anyone for a pint?" in a reflective moment of Bruckner. Ho-Ho, John. Not really!

Patricia Routledge sounds rather like Hyacinth Bucket as she soothingly intones, a sort of female Gambaccini; but Prunella Scales puts her finger on it when she points out that "nobody's there for fashion or publicity".

As international festivals go, the Proms are that rare thing, a populist, enthusiast's junket. The booklet for the 102nd season is out; the concerts start on July 19; every concert is broadcast on Radio 3. Nicholas Kenyon, controller of Radio 3, was Proms supremo in his own right for the first time: a warmer, more modest, less breathlessly virtuosic display than his predecessor, but no less human for that. And the institution remains one of the

glories of Britain. An embarrassing miscalculation, however, has been the series *A Retiring Fellow* on Radio 4. William Donaldson is one of those people most of us have at the most only half heard of, so layers of irony and self-parody are wasted. The tone of his exploration of potential retirement homes from Cornwall to Marbella has veered between ostensible ruteness and deadpan self-satire.

It was one of those programmes where it slowly dawns on the outsider that the insiders must have had a lot of fun making it, but for the uninitiated it was turbidly irrelevant. The series was taken to task on *Feedback*, presided over by my FT colleague Christopher Dunkley, and an unfortunate young smoothie of an executive tripped himself up by saying it was basically serious but actually tongue in cheek, though there was a point but not a serious point... Er, yes it was comedy but serious comedy.

A rarefied little in-joke rumbled, but not comprehended, by us pros. Roll on "Land of Hope and Glory".

Royal Opera House

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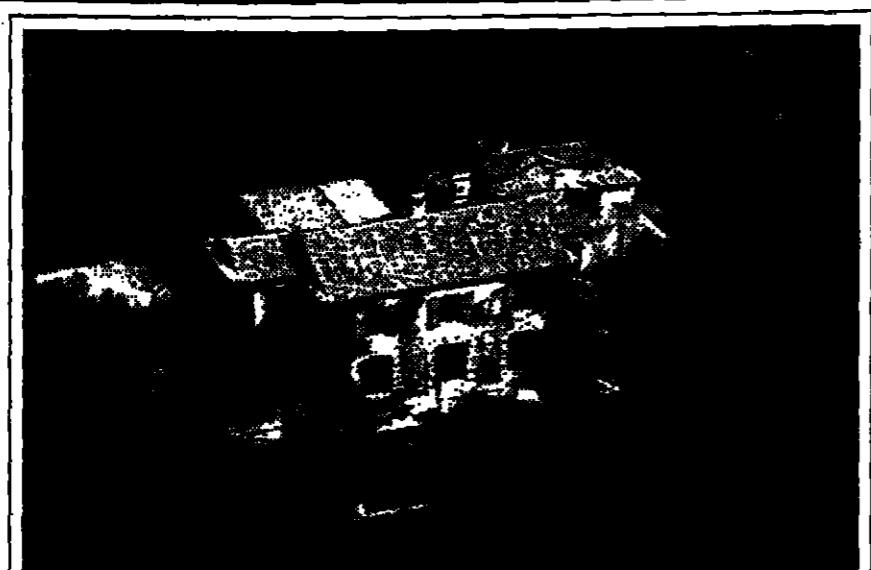
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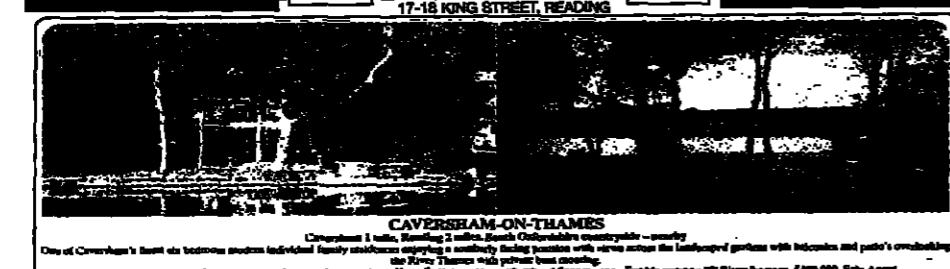
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PROPERTY

Homes where the heart rules the head

Anne Spackman on retreats for Europe's tired executives

Like applicants in a lonely hearts column, growing numbers of the rich and successful are searching for their dream home. "Tired north European executive seeks idyllic place for weekends and holidays", their advertisement might say. "Any location considered. Money no object."

What these people want is a beautiful house in a wonderful setting, within reach of an airport but out of reach of the rest of modern life. Whether it is in Ireland or Scotland or France, for those who like sunshine - hardly matters as long as the setting is right.

As the demands of working life have increased, so has the value of a place where work can be left-behind. To find that kind of isolation in the right setting means searching beyond the reach of the most determined commuter. That rules out most of England, which may explain why the English have been joining the Dutch and Germans in increasing numbers in Ireland.

Two years ago, Knight Frank calculated that 80 per cent of its buyers in Ireland were from northern Europe with 20 per cent from the UK. Now, their figures are nearer 50:50.

Bertie Ross, of Savills, has a country house in Scotland. "I think we all suffer from an information over-load," he says. "It is getting more and more difficult to find places to get away from that pressure. There is something very special about a complete change of environment. You have a different philosophy, a differ-

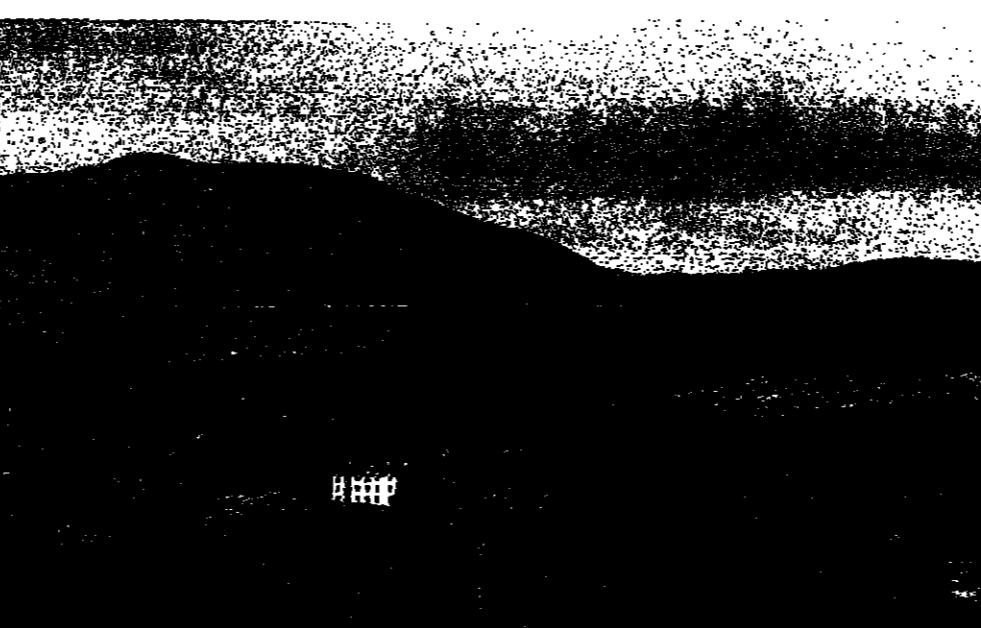
ent social structure, a whole character of people who regard the middle of the world as somewhere near where they are, rather than London."

"If you arrive in Ireland, the whole pace of life slows. It doesn't matter whether you have a high profile at work. You don't have to dress up and behave like someone important. People are far more interested in whether or not you can fish. You can have that kind of lifestyle in Ireland and Scotland because there are plenty of square miles per head."

For many overseas buyers Scotland and Ireland are interchangeable. Andrew Hay of Knight Frank, has buyers from northern Europe and the Far East who say they want an island or a beautiful country house in parkland. "They view Ireland and Scotland as one market," he says.

The same northern Europeans dominate the market for country properties in France. In areas such as Gascony and the Tarn, accessible from Toulouse or Nice airports, house-hunters are likely to be German, Dutch, British or Scandinavian. As everywhere, the British tend to buy the places which need renovation whereas everyone else prefers to buy "ready to go".

Gerald Fox, a banker from Wimborne, bought a run-down chateau near Castres in 1989. The pink-washed house, with shuttered windows and a tower, had 5 acres of grounds which he set about landscaping, adding a swimming pool. "We couldn't wait to get down to see how the



In Scotland: Achany House, Lairg, Sutherland. Baronial splendour for offers over £295,000



In Ireland: Kilmokea in County Wexford is yours for £500,000

work was progressing," he says. "It was one of the great pleasures of owning it."

The family bought in the Tarn because it was an area they knew from their holidays and because Fox's wife, Agnes, is half-French. But the other reason they bought was for the lifestyle. "Buyout is an unbelievable property to own," he said. "I couldn't in my wildest dreams have thought of buying somewhere like that in England. You get the space, the land and the large rooms. In spring we sit on the terrace and look out over the most wonderful views I've ever seen."

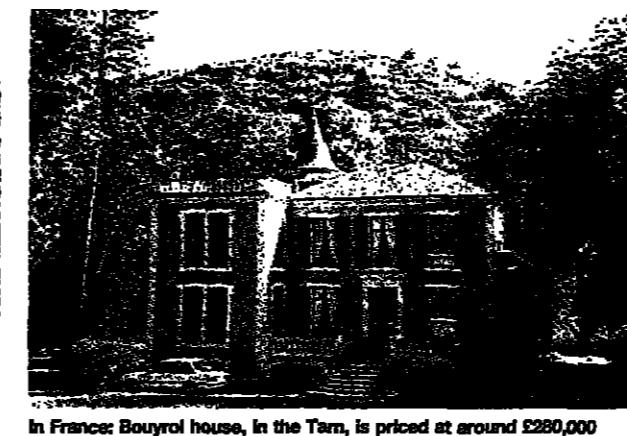
All this in south-west France costs around £300,000. Bouyrol, being sold by Hamptons International, is priced at around £280,000. Figures from Savills Research suggests you would

have to spend at least £500,000 to buy anything similar in southern England.

Prices in Scotland and Ireland are similar to those in south-west France. Savills is asking for offers of more than £295,000 for Achany House near Lairg in Sutherland. The baronial property, with four reception rooms, six principal bedrooms and four bathrooms, is set in 9 acres 48 miles from Inverness Airport.

In Ireland, Knight Frank and Jackson-Stops McCabe are asking £300,000 for Kilmokea in County Wexford. The Georgian house in 20 acres has seven bedrooms, four reception rooms and spectacular gardens. It is about 15 miles from Waterford Airport.

If Kilmokea were nearer Cork, Shannon or Dublin airports, it would probably cost at



In France: Bouyrol house, in the Tarn, is priced at around £280,000

least £50,000 more. John Hamilton, of Jackson-Stops McCabe in Dublin, says prices have risen around 20 per cent in the last couple of years for good country houses in the prime parts of Ireland, with Dublin becoming an ever stronger magnet.

Prices around the south-west coast start at around £150,000 for a good house with grounds, but in Dublin you are likely to pay nearer £600,000. "There are plenty of rich Irishmen competing within the commuting belts of Dublin and Cork," says Hamilton. "A lot of foreign buyers go elsewhere."

At the moment Germans are eyeing areas further north in Galway and Sligo. Half the recent purchasers around Loch Arrow have come from Germany. Sir Andrew Lloyd Webber, one of the British celebr-

ties who has helped develop Ireland's reputation as a fashionable place to live, bought his stud farm in County Tipperary. With the improvements in road and air communications, these places are now longer prohibitively inaccessible.

But transport and price remain, in a sense, secondary considerations. These are places where the heart rules the head. As Bertie Ross of Savills put it, if you looked at the costs of running and getting to such a house and at the time spent there, the figures would never add up. "The more difficult it is to get to, the greater the desire to go," he says.

■ Knight Frank 0171-629 8171; Savills, Edinburgh 0131-226 6961; Hamptons International 0171-493 8222; Jackson-Stops McCabe, Dublin 677-1177.

Now that boom has become a four-letter word in the property business, agents are instead describing the market this spring as buoyant, confident or any other appropriately measured adjective.

The country house market is at last feeling the ripples from London, with many big houses being sold in the last few weeks. Savills has found buyers for more than £20m worth of property, including £2.5m for Purley Hall at Pangbourne in Berkshire, £3.5m for Larkham at Chobham in Surrey and at £2.5m The Wick at Richmond Hill. All have gone to UK purchasers. The largest deal, worth £14m, involves a sale of property and land near Windsor.

In central London, prime values have begun to rise after eight months of stability. Houses in the best locations rose by around 4 per cent in the first quarter, while flat prices remained static, giving an overall rise of 1.1 per cent, according to Savills Research. It says the reason for the discrepancy is the increased supply of new flats coming on to the market.

The mood of cautious optimism extends to the mass market. Members of the Royal Institution of Chartered Surveyors report the strongest housing market for two years.

More than 30 per cent say prices are rising slightly, while just 8 per cent record slight falls. This compares with figures of 5 and 30 per cent respectively reported last July.

The improvement has shown through in nine months of successive rises in the Halifax house price index. This, in turn, has had an impact on negative equity. In the first three months of the year the number of affected households fell below 1m for the first time since 1992, according to Rob Thomas of UBS.

However, this still leaves 964,000 sufferers, plus around 2m more with less than 25,000 of equity in their property.

That means around 30 per cent of mortgaged households cannot afford to move without the help of special schemes.

In the past two years the property market has been active in the first quarter, only to fade at Easter, its traditional high season. This year it looks different. The country house market in particular has grown stronger over the past month. "This is the best market we have had for many years," says Ian Stewart of Savills.

■ The London lettings market is also looking up. Cluttons London Residential, now bearing the Hamptons name since the merger of the two businesses in February, reports an increase in tenancies of 25 per cent in the first quarter of this year compared with the same period in 1995.

Penny Parr-Head, the lettings director, said the second half of 1995 saw a slow-down in prime central London, with tenants looking for cheaper rents further out. This year has seen the return of the big corporate spenders.

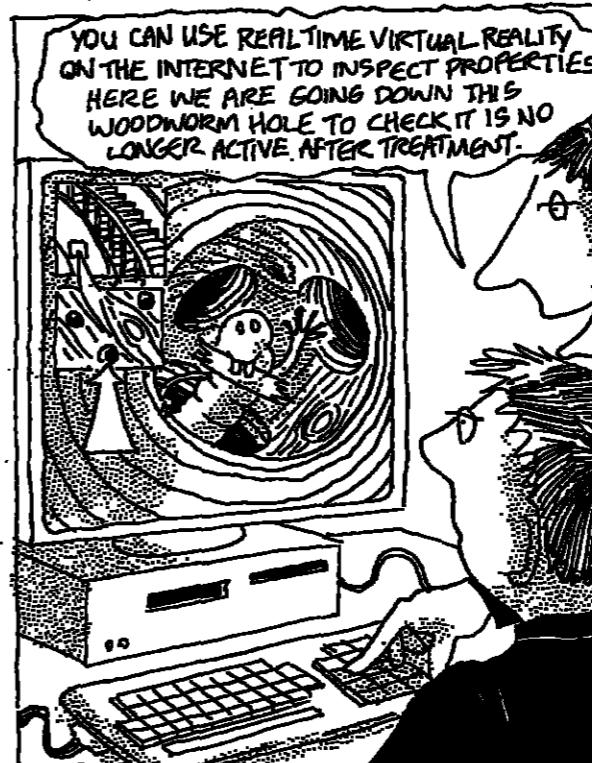
One-third of the new tenancies created in March were at more than £1,000 a week, compared with 17 per cent in the previous quarter. Last week there were four inquiries from tenants looking to pay more than £5,000 a week to rent a London house.

■ Whitton Place, with its mock Regency white facade, looks like a house in Beverly Hills, but is, in fact, in Tongdean Road, Hove, East Sussex. The house has been remodelled into a Californian-style home, complete with palm trees around the swimming pool. It has a Koi pool with waterfall, a bedroom with a revolving ceiling and a shower concealed in a chandelier. There are five bedroom suites, five reception rooms and a tennis court. Hamptons in Horsham (01403-211766) is asking for offers in the region of £1.5m.

Anne Spackman

Surfing the Net for the right house

Mary Wilson on how computers can make searches easier



and also house builders, several of which have already shown considerable interest."

The charges are between £50 to £100 per property per month for static shot and sales particulars. The QTVR pictures cost from £1,000, depending on how much is photographed.

"I expect the site to be used by estate agents as a complementary marketing tool. For example, instead of having a video made which has to be copied every time they want to send it out, once all the photography has been done for our service that is it," says Dunkley.

He has been selling property in Italy, where he lives, for the past 10 years and saw how technology as a welcome adjunct to conventional marketing methods. He has properties for sale in England, Italy, Spain, Cyprus and Greece with agents such as Hamptons, Savills and Stern Studios also talking to him about possible use.

Yet another Internet service, netestate (0171-584 2184; <http://netestate.dsres.com>), was launched in June last year. This is open only to estate agents and Matteo Berlucchi, one of the directors, has discovered that most are reluctant, as yet, to use the Internet. "But, I think, this year should be the year they make their minds up," he says.

Chestertons International is one of the agents which has used the service and, so far, finds that rental properties work better than those for sale. "We get inquiries every day through E-mail from all over the world for properties to let," says Berlucchi.

The service gives detailed particulars of properties with pictures and street maps, which you search by filling in a detailed form. This costs an agent £30 per property, and it is up to them to let netestate know if it is sold or let.

The search programme is intelligent enough to get close to what you want. If it does not have the exact specifications it will come up with something similar. It also gives detailed information on mortgages, a mortgage calculator and the legal side of home-buying.

Property finding on the Internet is in its infancy, but it is growing up fast. Charles Phillipot, of Savills, which has its own web site, says: "Eventually the Internet will offer purchasers the ability to narrow down the options by looking at all the rooms on screen and interrogating the system. This will mean they will have to see fewer properties in actuality to make their final choice."

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FOOD AND DRINK

Claret

The pick of the 1995 vintage

Edmund Penning-Rowse's thinks the success of last year's crop is assured

The success of the 1995 red Bordeaux vintage was assured before a grape was picked.

The prime characteristic was *précocité*, according to the annual post-vintage reports of Professors Riberau-Gayon and Guimberteau, the heads of the Oenological faculty at Bordeaux university.

It was a mild winter with plenty of rain in January and February. The early spring was warm and dry and the budding was early. Some April frosts had an effect in various districts but the mid-flowering took place on June 4, 10 days earlier than average. There was little *coulure* (failure to set fruit). The three summer months were very hot, with 67 days having a temperature of more than 25°C (77°F), compared with an average 47 days, and 34 days of over 30°C (86°F)

against an average of 15.

The difference between 1994 and 1995 was that last year the Cabernet Sauvignons were ripe, which they were not in the previous year. Rain fell throughout the region between September 6 and 19, followed by a fortnight of good weather. Growers who panicked, and picked between the downpours, made less good wine than those who took the risk and picked from the 18th onwards. The hard-stressed grapes were indeed the rain rather than being diluted by it.

It is too early to slot 1995 into its historic level, but one broker suggested that 30 per cent of the yield was outstanding, 50 per cent was a good average and 20 per cent disappointing; certainly the best vintage since 1990, but perhaps not as good as that year.

The colour is very deep, the

aromas often still closed but promising, and the flavour well-balanced, with the tannins ripe. I attended the *Union des Grands Crus* tastings for the trade, which preceded those for journalists, and this enabled me to visit seven first-growths as well as Ducru-Beaucaillou, Cos-d'Estournel and La Mission-Haut-Brion, which are not members of the *Union*.

Léoville las Casas has not opened its cellars for tastings.

I have indicated here (see box) those wines that attracted me, and marked with a star those which appeared to be particularly successful.

My selection, out of more than 100 tasted, is related to varying levels of class and quality. In each district the first-growths are placed first. My favourite first-growths are Latour, for its strength and power, and Margaux for its

finesse and elegance. The Petrus and J.P. Moueix properties are not members of the *Union* and I was unable to taste them.

Many prices have not come out so far. However, three first-growths have appeared - Haut-Brion, Margaux and Mouton Rothschild - at what was a record price in 1995, FF230 a bottle. Initially, they are also offering a smaller proportion of their crop than usual and will soon follow with a second tranche at higher prices.

Those contemplating buying the first-growths must consider a duty-paid/delivered figure of around £500 a case.

Moreover a number of châteaux have imposed a minimum resale price on the Bordeaux merchants; on Haut-Brion, FF230. Second-growths are likely to be as high as FF120 ex-cellars, but others

may be less demanding.

In general the prices are likely to be 10 per cent to 15 per cent higher than for the 1994s, but some will be higher still, such as Haut-Brion.

The 1995 vintage is certainly one to buy, but not one for those seeking a profitable investment for the future. But those who have not yet acquired the good, much cheaper 1994s, should not omit to do so. There will be great demand from the US and Japan but Bordeaux rewards those who support them regularly, including the UK.

The US and east Asian markets have bought little since the 1990 vintage. Further, if the three-year-old pattern of hot summers continues, with variable vintage-time rains, we may find that we are in a cycle of fine years, in which case opening prices may well fall.

Edmund Penning-Rowse's 1995 selection

MEDOC

Bas-Medoc La Tour de By

Haut-Medoc

Beaumont Cantemerle

Coutan

Dauzac

Moulis

Fourcas-Dupré Fourcas-Hosten

Poujeaux

Margaux Ch. Margaux

Anglade

Malescasse

Malescot St Estephe

McBrinson

Palmer

Pavillon Rouge du Ch Margaux

Pauillac

Rauzan-Ségla

Siran

St Julien

Ducru-Beaucaillou

Langlois

Leoville-Barton

Leoville-Poyferre

Pauliac

Latour

Les Forts de Latour

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La Dominique

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La Dominique

Figeac

Gran-Mayne

Lamarde

Larcis-Ducasse

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Figeac

Gran-Mayne

Lamarde

Larcis-Ducasse

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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

ADELAIDE

EXHIBITION

Art Gallery of South Australia Tel: 61-8-2077000
 ● Brett Whiteley Retrospective: Selected Masterpieces: this touring exhibition highlights the artistic talents of one of Australia's most controversial artists. Selected from the retrospective which was held last year, the exhibition comprises paintings from public and private collections in Australia and other countries. It charts Whiteley's work from the early abstracts and landscapes produced in London in the 1960s to the Sydney Harbour paintings of the early 1980s; from May 10 to Jun 16

OPERA

Adelaide Festival Theatre Tel: 61-8-216-8600

● Les Pêcheurs des Perles: by Bizet. Conducted by David Stanhope and performed by the State Opera South Australia. Soloists include Douglas Mc Nicol, Patrick Power and Jenny Wollerman; 7.30pm; May 7

AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-5730573
 ● Cecilia Bartoli: accompanied by pianist Gyorgy Fischer. The mezzo-soprano performs songs by Scarlatti, Pergolesi, Haydn, Gluck, Bellini and Rossini; 8.15pm; May 12

● Koninklijk Concertgebouw: with conductor Nicolaus Harnoncourt and violinist Thomas Zehetmair perform works by Brahms and R. Schumann; May 8, 10, 12

EXHIBITION

Rijksmuseum Tel: 31-20-6732121

● Disegni. Drie eeuwen Italiaanse tekenkunst uit eigen bezit: exhibition featuring 80 drawings by Italian artists from the 15th to the 18th century.

Included are works by artists such as Piero di Cosimo, Sebastiano del Piombo, Frederico Barocci, Carlo Maratta and Giambattista Tiepolo; from May 11 to Aug 19

Stedelijk Museum Tel: 31-20-573911

● John Chamberlain. Recent werk en goede herinneringen: exhibition of sculptures and photographs created between 1967 and 1995 by the American artist John Chamberlain; from May 11 to Jun 30

Van Gogh Museum Tel: 31-20-5705200

● Van Gogh drawings, Part I: each summer for the next four years the museum will publish a volume of the catalogue of its collection of Van Gogh drawings. To mark each publication, a summer exhibition will be held. In the course of this four-year period more than 500 sheets will be displayed. The first exhibition is devoted to the period from 1880 to 1883. The exhibition also focuses on Van Gogh's drawing techniques; from May 10 to Sep 15

ANTWERP

CONCERT

De Singel Tel: 32-3-2483800

● Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Grant Llewellyn and trumpet player Hakan Hardenberger perform works by R. Schumann, Pärt, Zimmermann and Beethoven; 8pm; May 11

DANCE

De Singel Tel: 32-3-2483800

● Un moto di gioia: a choreography by Anne Teresa de Keersmaeker to music by Mozart, performed by Rosas. Soloists include Marion Ballester, Nordine Berchot and Bruce Campbell; 8pm; May 9, 10, 11

BERLIN

CONCERT

Konzerthaus Tel: 49-30-203080

● Akademie für Alte Musik Berlin: with conductor Jac van Steen and pianist Alexei Lubimov perform works by Vivaldi, Schubert and Mozart; 8pm; May 5

● Katia and Marielle Labèque: the pianists perform works by Mozart, Debussy and Ravel; 8pm; May 8

OPERA

Deutsche Oper Berlin Tel: 49-30-3438401

● André Chénier: by Giordano. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Bruno Sebastian, Alexandru Agache and Lisa Gasteen; 7.30pm; May 7, 12

Staatsoper Unter den Linden Tel: 49-30-2082681

● Das Rheingold: by Wagner.

Conducted by Daniel Barenboim and performed by the Staatsoper Unter den Linden. Soloists include Falk Struckmann and Antti Suonenheimo; 7.30pm; May 11

BONN

EXHIBITION

Bundeskunsthalle der Bundesrepublik Deutschland Tel: 49-228-9171200

● Claes Oldenburg: an Anthology:

containing 200 drawings, collages and sculptures, the exhibition bears witness to the creativity of this artist, one of the leading figures of American art associated with the Pop Art movement. On display will be works from the cycles "The Street" and "The Store, Soft Objects" from the 1970s as well as models of his monumental sculptures. A special feature is the "Mouse/Museum/Ray Gun Wing", one of the artist's large-scale installations; to May 12

OPERA

Oper der Stadt Bonn Tel: 49-228-7281

● Fidelio: by Beethoven. Conducted by T. Karsten and performed by the Oper der Stadt Bonn. Soloists include



Artist William Morris: celebrating his life's work in London and New York

K. McCalla, A. Stablaniko, P. Hunka, P. Bogar, A. Mendorik and C. Conde; 7pm; May 5

BRUSSELS

CONCERT

Théâtre Royal de la Monnaie Tel: 32-2-2291200

● Vladimir Chernov: recital by the baritone, accompanied by pianist Vasa Chachava; 8pm; May 10

THEATRE

Koninklijke Vlaamse Schouwburg Tel: 32-2-2194944

● De Keizer van het Verlies: by Jan Fabre. Directed by Jan Fabre and performed by Dirk Roothoofd; 8pm; Sun 3pm; from May 11 to May 16

CHICAGO

CONCERT

Chicago Orchestra Hall Tel: 31-212-435-6666

● Chicago Symphony Orchestra: with conductor Riccardo Mutina. Zukerman performs Mozart's Violin Concerto No.3, Violin Concerto No.5 and Haffner Serenade; 8pm; May 8 (7.30pm), 9, 10 (1.30pm), 11, 14 (7.30pm)

JAZZ & BLUES

Chicago Orchestra Hall Tel: 1-312-435-6666

● Joe Williams and The Count Basie Orchestra: perform jazz music; 8pm; May 10

COLOGNE

CONCERT

Opernhaus Tel: 49-221-2218240

● Gabriel Schnautz: accompanied by pianist Nina Tichman. The mezzo-soprano performs songs by R. Schumann, Wagner and Ruzicka; 7.30pm; May 6

EXHIBITION

Wallraf-Richartz-Museum Tel: 49-221-2212372

● Adam Elsheimer: Variationen zu "Die Steinigung des Hl. Stephanus": this exhibition focuses on the differences and similarities between the painting "Die Steinigung des Hl. Stephanus" by the German artist Adam Elsheimer (1578-1610), from the collection of the National Gallery of Scotland in Edinburgh, and a painting on the same theme in the Wallraf-Richartz-Museum which probably also was created by Elsheimer; to May 5

COPENHAGEN

DANCE

Det Kongelige Teater Tel: 45-33 10 02

● Romeo and Juliet: a choreography by Frederick Ashton to music by Prokofiev, performed by the Royal Danish Ballet. Soloists include Johan Kobborg, Thomas Lund and Kirsten Simonsen; 8pm; May 10

JAZZ & BLUES

Copenhagen JazzHouse Tel: 45-33 15 26

● James Moody & Christina Nielsen Quartet: perform jazz music; 9.30pm; May 10

DUSSELDORF

OPERA

Opernhaus Düsseldorf Tel: 49-211-89080

● Das Rheingold: by Wagner. Conducted by Hans Wallfuss and performed by the Deutsche Oper am Rhein. Soloists include Bodo Brinkmann, Christoph Erbenbeck, Ruel Oostwoud, Eberhard Büchner, Hermann Becht, Helmuth Pampuch, Hans Tschammer, Malcolm Smith and Christina Hagen; 7.30pm; May 8

EDINBURGH

CONCERT

The Queen's Hall Tel: 44-171-5683458

● The King's Consort: with conductor/harpsichordist Robert King, trumpeter Crispian Steele-Perkins and obbligato Katharina Spreckelsen perform works by Telemann and Vivaldi; 7.30pm; May 9

EXHIBITION

National Gallery of Scotland Tel: 44-131-5568921

● David Le Marchand (1674-1726): An Ingenious Man for Carving in Ivory: exhibition of works by this French-born artist who settled in Edinburgh in 1696. Patrons who flocked to him for portrait busts and cameos included royalty – Queen Anne and King George I – aristocrats such as the Duke of Marlborough, politicians and intellectuals; to May 12

FRANKFURT

CONCERT

Alte Oper Tel: 49-69-1340400

glasses; from May 9 to Sep 1
 JAZZ & BLUES
 Ronnie Scott's Tel: 44-171-4390747

● Lee Konitz Quintet: with Kenny Wheeler and special guest Claire Martin; 10.45pm & 1am; from May 6 to May 12

OPERA

Royal Opera House – Covent Garden Tel: 44-171-2129234

● Tosca: by Puccini. Conducted by Evelino Pidò and performed by The Royal Opera. Soloists include Nelly Miricio, José Cura, Robin Leggate and Anthony Michaels-Moore; 7.30pm; May 8, 11

EXHIBITION

Musée du Louvre Tel: 33-1 40 20 50

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● Pisanello (1395-1455). Le Peintre aux Sept Vertus: retrospective exhibition devoted to the 15th century Italian court painter and medalist Pisanello. The display features 320 works by the artist, his contemporaries and followers from the collection of the Musée du Louvre and other museums. Included are drawings, parchments, paintings, frescos and medallions; from May 10 to Aug 5

OPERA

Théâtre de l'Opéra Comique Tel: 33-1 42 44 45 46

● L'Elisir d'Amore: by Donizetti. Conducted by Antonio Almendrala and performed by the Opéra Comique. Soloists include Youngok Shin, Raul Giménez and Peter Savidge; 7.30pm; May 9, 11, 13, 15, 17

MILAN

THEATRE

Teatro Carcano Tel: 33-2-55181377

● La Mandragola: by Machiavelli. Directed by Mario Missiroli. The cast includes Paolo Bonacelli, Cesare Gelli, Sabrina Zaninotto and Francesco Acciari; 8pm; Sun 3.30pm; to May 5 (Not Mon)

MONTE CARLO

CONCERT

Salle Garnier Tel: 33-93 15 83 03

● Cecilia Bartoli: accompanied by pianist Gyorgy Fischer. The mezzo-soprano performs songs by Mozart, Bellini and Rossini; 8pm; May 5

GHENT

EXHIBITION

Museum voor Sierkunst Tel: 32-9-225676

● Deense Keramiek: exhibition of Danish ceramics from the collection of the Museum Boymans-van Beuningen in Rotterdam and a private collection. The display includes more than 250 objects created between 1970 and 1995; to May 5

OPERA

De Vlaamse Opera Tel: 32-9-223681

● King Priam: by Tippett. Conducted by Elgar Howarth and performed by De Vlaamse Opera. Soloists include David Pittman-Jennings, Penelope Wansbury-Clark and Geoffrey Dolton; 8pm; May 7

GLASGOW

CONCERT

Glasgow Royal Concert Hall Tel: 49-89-4898625

● Wiener Philharmoniker: with conductor Riccardo Muti perform Mozart's Symphony No.34 in C, K388 and Bruckner's Symphony No.7 in E

EXHIBITION

Neue Pinakothek Tel: 49-89-23085-195

● Münchner Maler des 19. Jahrhunderts und die Schule von Barbizon: exhibition of works from the original collection of George Costakis. The display includes works by Chagall, Goncharova, Kandinsky, Schiele, Lissitzky, Malevich, Popova, Rodchenko and Tatlin. After Munich, the exhibition will travel to Tampere and Paris; from May 10 to Aug 4

EXHIBITION

Neue Pinakothek Tel: 49-89-23085-195

● Die russische Avantgarde: this exhibition brings together more than 500 works of Russian avant-garde art from the original collection of George Costakis. The display includes works by Chagall, Goncharova, Kandinsky, Schiele, Lissitzky, Malevich, Popova, Rodchenko and Tatlin. After Munich, the exhibition will travel to Tampere and Paris; from May 10 to Aug 4

EXHIBITION

SMOMA – Museum of Modern Art Tel: 1-415-357-4000

● New Work: Richard Hamilton, Site-Referential Paintings: exhibition of 11 new paintings by Richard Hamilton, one of the founders of the Pop art movement in Britain. The works on display represent his ongoing experimentation with a new medium and new technology: the Quatet Paintbox; to May 5

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James Morgan

Hard at work remembering May Day

Welfare and unemployment squabbles have hijacked the annual celebration of labour

This week the great festival of European labour was celebrated, May 1. But it was marked by a newer European tradition: rows about cuts in welfare benefits and further increases in unemployment. It is sad to see many ancient customs disappear. In Germany the greatest benefit enjoyed by the working class has been that known as *Lohnfortzahlung*. It means "continued wage payment" and has been the most common word, or phrase, used in the German press in recent weeks. For any student of comparative welfare systems, the *Lohnfortzahlung* represents an

ideal which many seek but few, even in France or Sweden, have matched.

It means that an employer continues to pay, for six weeks, the full wage of an employee who is unable to work because of sickness. That payment has been based on the wage received in the final week before illness strikes.

So it is that when an employee feels that he might be about to fall sick, he works the maximum level of overtime. He will then get that same wage while recuperating at home or on a beach. In return for working, he is entitled to a "rest cure" of four weeks every few

years, in addition to his six weeks' annual leave.

It is only recently that such benefits have become a matter of public concern, partly because they are seen as a cause of the unusually high unemployment and budget deficits suffered by the Federal Republic. That unemployment appears to be a cause of stress: when a colleague scoured Berlin the other day for jobless people to participate in a programme on the German employment crisis, she was told by potential subjects that they were "too busy" to help.

Germany has still not introduced any kind of *Lohnfortzahlung* for those who are unemployed. Denmark has, however, managed something similar, offering the jobless "sabbaticals" whereby they do not have to visit the local employment office to collect their benefits when they might wish to go on holiday or pursue some private venture.

Developments in Germany are, as always, watched closely in France. "Will Germany face a social crisis comparable to that which we experienced at the end of last year?" asked *Sud-Ouest*. In this question there was none of the

Schadenfreude that has characterised similar British views of the

same situation. France has based its *accord républicain* on *Modell Deutschland* and, therefore, feels the two ships will sink together.

For the still-surviving communist daily, *Humanité*, the message of May 1 this year was not surprisingly, that future social policy will be based on a rejection of the ideals of Labour Day, the Feast of St Joseph or whatever you care to call it. President Chirac, said *Humanité*, would govern from the opposite direction.

From a different part of the political spectrum, the *Frankfurter Allgemeine Zeitung* came to a similar conclusion. Social Democracy

was finished. "Among leaders of the European left, only the Labour party's Tony Blair shines out," it said. He is lucky for he does not have to clear away the welfare state; Margaret Thatcher did it for him.

"Social Democrats will for a while longer strive shoulder to shoulder on May 1 and deign to sing the old songs. And when they look back at the old century which was supposed to be theirs, they will rightly say: 'We never killed anybody. And that is something in this century.'"

Then, concluded the *FAZ*, perhaps they will remember the first ideas of European socialism: "Self-

help, comradeship and freedom." This is unusual in both form and content: the view is persuasive and it is expressed with verve and clarity. *FAZ* editorials rarely manage both.

Anyway, we can conclude that the workers' May Day has had its day. We shall have to go back to an earlier tradition. The English maypole should become a new Euro-symphony, associated as it is with the vernal celebration of fertility. In a Europe of falling birth rates and meagre sperm counts, that makes sense.

■ James Morgan is BBC World Service economics correspondent.

Royalty

Boxing clever with a wayward family

Queen Beatrix of the Netherlands is termed the general manager. And she likes to use her powers, says Christian Tyler

The curriculum vitae issued by the palace reads like a corporate brochure, its chief executive profiled under no-nonsense headings such as "personal particulars", "education" and "marital status".

Queen Beatrix of the Netherlands has a crown, but she never wears it. She lives in the *Huis ten Bosch* (the "house in the wood") conveniently close to her office, the Noordeinde ("north end") Palace in The Hague. She changes her personal staff - all save the gardeners - every few years. She pays tax on her considerable private income and insists on strict family discipline.

She is, in other words, a monarch who likes to see herself as employed in the reigning business. "We call her the general manager of the kingdom of Holland," says Jesse van Vonderen, the government press spokesman who handles palace affairs.

Queen Beatrix likes to go to the limit of her restricted powers. In private audience she will ask ministers to think again. In public she has expressed support for European union, criticised lax environmental standards, lectured the Dutch about morality and chided their intolerance of immigrants.

She gets away with it because although her limits are set by the constitution, their everyday interpretation depends on how well the monarch gets on with her prime minister - the Christian Democrat Ruud Lubbers for most of her reign - who with his ministers takes responsibility for her every public utterance or action.

Not only does Beatrix get away with it, she has succeeded in rendering redundant, at least in her own country, the question of why the monarchy is allowed to continue at all.

"As a serious party, even of the left, we are not in a hurry to ask such questions," says Peter Rehwinkel, a young Labour MP and constitutional expert. "We don't make politics out of the monarchy. If the Dutch wanted a president, they would probably choose the Queen in any case. She is a very intelligent, a perfectionist, very business-like."

Strong-willed, even arrogant, as a girl, Beatrix has earned general respect for her no-nonsense manner. She is not loved in quite the way her mother Queen Juliana was: it was Juliana who rode around on her bicycle in order to get closer to the people. Beatrix owns a bicycle, too, but rides it only in the palace park. Juliana, it is said, had something of the social worker about her: she was motherly, tolerant and liked to be called simply "Madam".

On her succession in 1980, Beatrix, now 58, made it plain that she was to be addressed as "Your Majesty".

Beatrix appears to have inherited



Queen Beatrix (left) and Prince Willem-Alexander: the boss of the family firm can afford to take no chances when it comes to grooming a successor for the chairman's seat

Camera Press/Sipa Press

the robustness of her grandmother Queen Wilhelmina, whom Sir Winston Churchill described as "the only man in the Dutch government" while she was leading the resistance to the Nazis from London during the second world war.

Queen Beatrix is also financially secure. Indeed, she is reputed to be one of the richest women in the world, not far behind the Queen of England. She is said to be a large holder of Royal Dutch/Shell equity - if so, the holding is less than 5 per cent because it does not appear in her tax declaration.

If the family's financial position is more than sound, its political security is enhanced by a device which we may call The Royal Box.

Inside the box are those members of the family firm who are in the line of succession and for whose

actions and words therefore the politicians will take responsibility. They include the Queen's mother and father, Juliana, 87, and Prince Bernhard, 84, Queen Beatrix and her husband Prince Claus, 69, and their three sons. Also included is the "assistant queen", Beatrix's sister Margriet, 53, her husband Pieter van Vollenhoven and their four children. But when the crown prince Willem-Alexander succeeds - assuming he does - then his children will come into the box and the cousins will fall out.

This damage limitation device - which is not the same thing as the civil list - was introduced in 1978 against the wishes of Juliana. The "box" and the fact that only the five principal royals get an allowance from the taxpayer, means that the misbehaviour of minor royals

can officially be described as "a matter of no public interest". So, for example, the nonconformist love lives of the queen's two other sisters are said to leave no stain on the monarch herself. Prince

Irene put herself beyond the pale, out of the box, by secretly marrying a Catholic Bourbon pretender to the Spanish throne - from whom she was later divorced. Princess Christina married a Cuban refugee and social worker in New York, and has also divorced.

Worse things have happened to the family than erratic marriages; and they help to explain the harsh internal regime introduced by the "manager of the kingdom".

The most serious came in 1976 when the then prince consort Bernhard was implicated in the Lockheed bribery scandal. At first it was denied that he had received payments in return for pushing contracts for the US aircraft company. Beatrix threatened to renounce her title if her father were prosecuted. The threat worked, but the truth

later admitted and Bernhard was stripped of many functions.

"Lockheed changed the family's behaviour by making them aware of their political weakness," said Harry van Wijnen, former political correspondent of NRC Handelsblad and author of a book on the prince.

Twenty years before the Lockheed scandal there had been a strange affair involving a faith healer called Greet Hofman who was said to have communist connections and to have become a Rasputin-like, a dangerous influence at the palace. Hofman had been brought in by Queen Juliana to treat her daughter Christina for an eye defect caused by German measles, for which the mother blamed herself.

Prince Bernhard ordered Hofman

to pay costs. Whatever they may think of the crown prince, the editors' policy is not to go too far. "If we appear to be against the family, it costs us readers," Smit said.

Short of a serious scandal, the only thing that could disrupt the Dutch royal succession is the fear that the crown prince, whose chief interests appear to be beer and fast food, is not up to the job.

The Dutch monarchy has never been more popular, according to a close adviser. But in the view of political pundits it works only so long as the occupants are good at their work.

The boss of the family firm can afford to take no chances when it comes to grooming a successor for the chairman's seat.

■ Next week: Succession pains in Belgium.

Letter from Portugal

Case of the troublesome priest

The Catholic Church is starting to act tough, reports Christina Lamb

One does not usually expect to clock in and out of a church service. But the priest in the southern Portuguese village of Reguengos de Monsaraz is refusing to carry out baptisms, weddings or funeral services unless parishioners spend a minimum number of hours at church every week.

The situation came to a head recently with the death of Manuel Faroia, the local barber. Father Eduardo Manso Inacio, the Catholic priest, refused to conduct a service, or even allow the church bells to ring. Faroia's son Vitor was so angry that he has written to the local bishop and to the Pope to complain. "The minimum one expects from a priest is that he carries out a decent funeral."

In the village square, talk is of little else. "Father Eduardo will be putting up a sliding scale next," grumbles the owner of the chemist's shop. "Five hours a week for a baptism, 10 for a wedding, 15 for a funeral without bells and 20 with

it's a scandal." Father Eduardo is unrepentant. "Just as those who don't want to work have no right to eat, then those who don't go to church regularly have no right to my services."

The village of Reguengos de Monsaraz is in the province of Alentejo, the second poorest region in the whole of Europe, and locals point out that with such a struggle to survive, they do not always have time to attend mass.

Father Eduardo of Reguengos is not the only Portuguese priest causing ructions in his parish, according to Luis Marinho Antunes, a sociology professor at Lisbon's Catholic University, who specialises in reli-

gious issues. "There are similar conflicts all over the country," he says, recalling that earlier this year the bishop had to intervene at a church in Guarda to stop the local priest parking his jeep inside the nave because he did not trust his own parishioners not to steal it.

The problem is that priests in Portugal tend to be very old and have not kept up with the changing situation of the country," Antunes explains. While the leadership of the church may have adapted, the rest of the clergy has not. The average age of the country's 5,000 priests is 63.

The country that once considered itself "standard bearer of the faith",

has changed so much that it recently elected an openly atheist president, Jorge Sampaio.

Having an atheist as head of state has set off a national debate about how the Church should respond to modern day realities.

Just as in the village of Reguengos, the biggest challenge is the growth of evangelical sects, principally the Universal Church of the Kingdom of God.

Portugal has only had religious freedom since the 1974 revolution and the last few years have seen the arrival of various movements from overseas as well as some home-grown ones, while those regularly attending Sunday mass has fallen

to 25 per cent of the population.

The controversial Universal Church is having phenomenal success in Portugal; it has animated services where speaking in tongues is common, as are promises miracles and riches. As Antunes points out: "The Catholic church is used to having a monopoly here. It does not yet know how to react to all the diversity suddenly on offer."

So intense is the battle for souls that in some areas Universal Church meetings have degenerated into bloody clashes. In various towns in the north of Portugal such as Matosinhos, buildings used by the Universal Church have been set on fire and riot police called in

when members of the sect have been attacked as they leave services.

The headquarters of the Universal Church in Lisbon recently issued a report entitled "Inquisition in Portugal" in which it openly accused the Catholic Church of instigating the violence.

One problem is that the Catholic church does not have enough priests. The last decade has seen the number fall by 10 per cent and though new priests are good at their work, they are not large numbers dying off.

Church leaders have encouraged local priests to respond by becoming more evangelical and more involved in community service. Although this strategy has generally been successful, it is rejected by a growing movement of hardliners such as Father Eduardo. He insists: "In my 20 years here in Reguengos I've done everything to conquer the people. They have rejected the church, so the only answer is to become firmer."

10/10/15/20

Weekend Investor

Wall Street

Confusion reigns as storm clouds recede

Inconclusive employment figures leave unanswered questions, writes Lisa Bransten

No hurricane loomed off the coast of Manhattan this week, but observers would hardly have known that from the way Wall Street retreated to await the worst from yesterday's figures on employment growth in April.

As Friday approached, investors became increasingly like citizens watching a distant storm that could build strength and destroy a city or dribble away into spring showers.

Tension mounted on Thursday when the Commerce Department surprised investors with figures showing that the economy grew almost twice as quickly as many economists expected. That suggested Friday's numbers would be devastatingly strong and prompted a sharp sell-off across US financial markets amid worries of higher inflationary pressures.

But Friday's figures were not dire. Instead of confirming the worst fears of investors or bolstering high hopes, they left the market with unanswered questions about the prospects for economic growth through to the end of the year.

The economy is clearly stronger than those who worried about recession at the end of last year had feared, but the addition of just 2,000 new jobs last month leaves prospects about growth for the rest of 1996 unclear.

Further clouding the issue was the drop in the unemployment rate to 5.4 per cent and the 0.6 per cent increase in hourly earnings, both of which heightened fears of inflation.

All of that left the market a bit befuddled. By midday, the Dow Jones Industrial Average had recaptured only 16.98 of the nearly 77 points it shed on Thursday and activity on the bond market was muted, with the yield on the benchmark 30-year Treasury holding well above 7 per cent.

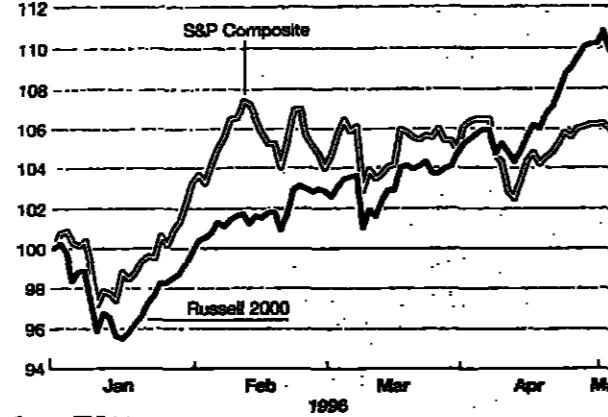
The news was greeted with just as much confusion by investors in the small capitalisation stocks that make up the Russell 2000 index.

On Wednesday, it soared to a 10th consecutive record close; then, Thursday's GDP data threw the entire market into confusion. But the Russell 2000 managed to regain nearly half of Thursday's loss by noon yesterday.

Claudia Mott, director of smallcap research at Prudential Securities, traces the rise in the shares of smaller com-

Soaring small caps

Rebased 1/1/95=100



panies to mid-February when fears of recession began to fade and investors began scouring the landscape for the groups that would benefit most quickly from economic growth. Since then, the Standard & Poor's index of the 500 biggest companies has advanced, a meagre 1 per cent while the Russell index gained 8 per cent, led by growth in technology, energy and retail sectors.

According to Mott, yesterday's figures removed some of the fears that the Federal Reserve would have to start raising interest rates and should allow continued gains for the rest of the year.

Smaller companies have benefited this year from a strengthening of the dollar, which is disproportionately damaging to big multinational companies that sell a large percentage of their goods and services overseas.

Earnings at the 1,100 small companies Mott follows rose 10.3 per cent in the first quarter, beating the earnings growth turned in by the bigger stocks she tracks by nearly 2 percentage points.

But the recent excitement about small cap stocks could be tied more closely to the game of catch-up they have played since the start of this year than to an overwhelmingly positive environment for little companies. As the S&P 500 soared 34 per cent last year, the Russell 2000 gained 26 per cent, so valuations in the sector are relatively low.

Keith Mullins, director of smallcap research at Smith Barney, says that while the performance of the sector for

the rest of the year is uncertain given the unclear economic situation, valuations remain compelling. Of the 2,500 companies he tracks, the smaller ones are trading at about 0.8 times their expected 1996 earnings, while the larger ones are going for about 1.8 times earnings.

There is, however, more to last week's record-breaking run among small stocks than just low valuations, he says. "The group is outperforming because of the greed factor. Money is chasing a strong performance."

That makes him nervous about the sector's ability to gain over the next few months. "We've seen that being in this sector can be very profitable but, when the party ends, it can be very painful."

The strength in small caps is also troubling to some market strategists, who see it as an indication that last year's bull market is in its final stages. "I think it is part of the speculative froth that has been building," says David Shulman, chief market strategist at Salomon Brothers.

Not everyone is worried, though. Jeffrey Applegate, chief market strategist at Lehman Brothers, notes that smallcap stocks outperformed the broader market from 1990 to 1994. While 1994 was hardly a stellar year, it certainly did not mark the onset of a bear market.

Dow Jones Ind Average

Day	Monday	Tuesday	Wednesday	Thursday	Friday
Price	5573.41 + 5.42	5569.08 - 4.33	5575.22 + 6.14	5498.27 - 76.95	5498.27 - 76.95
Yield	5.42	4.33	6.14	76.95	76.95

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The story so far. Beattie, who was in love with a cable layer, is having second thoughts. The Power brothers have had a nasty shock, but a Royal wedding is in the air...

Sometimes, watching the stock market is like trying to follow a soap opera or keep up with the lives of old friends. "But I thought you were married to Susan? No, she ran off with the accountant. I've moved in with Katy and her three kids by Matthew."

This week's market action had enough break-ups, get-togethers and shock revelations to fill at least half an hour of *Dallas*.

Chief executives seem no more able to resist their biological urge to merge than dogs can resist chasing rabbits. In the Anglo-Saxon stock markets, all this takeover activity keeps traders happy, although whether it does the economy much good is the subject of

academic argument.

Having shed the debt burdens incurred late in the 1980s, corporations emerged from the early 1990s recession with strong cash positions. In 1995, they often used cash holdings to take over competitors; the most prominent example was the Glaxo-Wellcome deal.

Takeover hopes have helped maintain the market's momentum in 1996 although the government's political problems and the related weakness of gilt yields have made life more of a struggle this year. So it was a particularly nasty shock for

investors this week to find that discussions between British Telecom and Cable & Wireless, which had been rumbling on since last year, had come unplugged.

As Bob Hoskins, star of the BT commercials, might have said: "It's good not to talk."

The deal would have represented the biggest single merger in UK corporate history. And while much of the payment was expected to be in

the form of shares, commentators were hoping for a special dividend of around £100m, which would have given a boost to the market.

The failure of the talks still leaves Cable and Wireless as a tempting takeover target for another company. But it knocked the shares of both groups, two of the larger constituents in the FTSE 100 index, yesterday.

The BT-C&W announcement came on top of the government's statement that it would block bids for National Power and PowerGen until there was increased competition in the power generation business.

The power companies had already been prevented by the Department of Trade and Industry from making bids for

Midlands Electricity and Southern Electric, two regional electricity companies. They are, thus, in the unusual position of being unable to be predators or bid targets.

All this might lead one to assume that the takeover spree is coming to an end – but the market's scriptwriters had another plot twist. The insurance sector had been the subject of repeated bid and merger rumours, but yesterday's announcement of a link between Royal Insurance and Sun Alliance still came as a surprise. The deal might boost the companies' profits through cost savings but, as a straight share swap, will not inject any new cash into the market.

Cash should, however, be a prominent element of the expected offer for Midlands Electricity, which has leapt from the clutches of PowerGen into the arms of an (as yet unnamed) US utility.

So bids should be a continued spur to trading activity for a little while yet – although investors should take heed of Richard Jeffrey, Charterhouse group economist, who says: "There have been nine stories for every one actual takeover." Meanwhile, further drama came on both the economic and corporate fronts this week. The results season passed without any nasty shocks but there have been a number of recent profit warnings, notably from Courtaulds Textiles, Great Universal Stores, Costain, Rugby and Pearson, the media group which owns the Financial Times. Supermarket group Kwik Save reported poor interim figures and a gloomy outlook for the second half.

It is probably too soon to describe these warnings as a trend, but corporate profits growth is expected to slow in 1996 after several strong years.

The week's economic data also seemed as if it was written by a dramatist. In Act One, on

Thursday, stronger-than-

Philip Coggan sees BT's big deal come unplugged

Unplugged: talks between BT and C&W were disconnected

expected US gross domestic product data raised fears that the Federal Reserve might increase interest rates. Bond and equity markets fell as a result. In Act Two, however, yesterday's US non-farm payroll data was much weaker than expected (albeit with signs that earnings are starting to pick up), giving some relief to markets.

What is the poor investor to make of all this turbulence? It is hard to describe the UK market as cheap. The dividend yield is only around 3.7 per cent, the gilt-equity yield ratio has been edging close to 2.3, and the historic price-earnings ratio is over 17 at a time when profits growth is slowing.

Interest rates are still expected to rise by the end of the year, according to the short sterling futures market. And investors have been reminded of the political risks by the Conservative party's heavy losses in the local elections.

Even Ian Harnett of Societe Generale Turnbull, a prominent bull in recent times, has cut his Foothills forecast. He thinks a combination of the weakness of the manufacturing sector and political factors will prompt the government to cut interest rates next week.

Given that consumer spending is rising, a rate cut would increase inflationary risks and force gilt yields higher. This would put pressure on shares; accordingly, Harnett is reducing his end-year Foothills target from 4,000-4,250 to 3,950-4,100.

With even bulls cutting forecasts, the investors who piled a record £1bn into unit trusts in March may need to be patient.

Peter Martin

Keeping it all in the family

Can outsiders get a fair deal in the emerging economies?

fully developed market economy. But that is irrelevant. It is precisely that decades-long scope for rapid expansion that makes emerging economies so attractive. It offers the western investor the opportunity to tap into much greater growth potential than can be achieved by the mature economies back home.

How easy, though, will the western investor find it to tap into the growth of emerging economies? Even if local regulations allow investment by outsiders, will there be the equity offerings that really allow full participation in local growth? And will investors in whatever vehicles there are be given equitable treatment by insiders?

In Europe's first period of rapid growth, in the 19th and early 20th centuries, there was little scope for outside equity investors. Family businesses grew largely on the back of retained earnings; external finance came from bank loans and, to some extent, from bond issues. Only the great booms – railways, for instance – tapped the equity market on a large scale. And, of course, investors suffered in during these years had very unhappy experiences to report.

There are parallels here with the difficulty many western investors find in investing in true growth stocks in the strongest emerging economies, those of

south-east Asia. Just as in 19th-century Europe, many of the best investment opportunities are in the hands of family-owned groups.

Such firms are likely to be tempted to offer equity to outsiders only when the deal is really too good to refuse – during a market boom which automatically stacks the deck

Unless you get your timing right, you will end up buying in just as the locals are selling

against the new investors. Still, a study a year or so ago by Cambridge economist Ajit Singh showed that, for those big emerging-markets companies which have succumbed to the temptations of a public listing, net external finance was remarkably high by western standards.

The typical British company gets between a quarter and a half of its net addition to long-term capital from external debt or equity. For the sample of 100 emerging markets companies he studied, the ratio is more like half to three-quarters, with equity providing the lion's share.

So today's emerging

markets are more like the US, which, during its boom period of the late 19th century, relied much more heavily on stock market capital than did Europe. That sounds like an encouraging parallel: if buying a basket of emerging market stocks will expose you to the AT&Ts, Coca-Colas and General Electrics of the 21st century, you can afford to pick up the odd buggy-whip manufacturer as well.

But the real surge in selling US stock to external investors came as part of the great industrial reorganisations of the period. These were notorious not merely for their creation of monopolies but also for the stock market manipulation they involved.

Which leads back to the question of whether western investors seeking to profit from the growth of emerging economies can expect to get equitable treatment any more than the innocent investor in Jay Fisk's Wall Street.

In one sense, the situation is incomparably better: there is now widespread acceptance of basic investor protection regulations, and most markets have at least lip-service to these principles – some very much more than that. But today's emerging markets remain biased inherently towards insiders. If only because of the tight family control under which many publicly quoted groups are still held.

So the question is: how long

is your long term?

If it is long enough to encompass Albania,

it is probably long enough to cope with anything. By the way, I've got a very interesting potting shed you might like to consider...

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Offshore managed funds and UK managed funds are listed in Section One

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS
Lead prices hit 5½-year highs

Lead prices surged to 5½-year highs at the London Metal Exchange this week as US investment funds plunged into the market. With concern about tight stocks of the metal remaining few market operators were tempted to sell into the rise, especially with a long weekend looming.

The three-month delivery price closed yesterday at \$843.25 a tonne, up \$21.75 on the day and \$36 on the week.

The drawdown from LME stocks has been interrupted in

tors who had sold metal they did not possess in the hope of putting back more cheaply (before delivery was due) are lining up to cover."

According to the latest Goldman Sachs Commodity Watch, a combination of strong economic growth in emerging markets and lagging G-7 expansion was the "best possible combination" for an extended bull market for commodities. "The evidence points to a longer and cumulatively larger commodity bull cycle than any since the early 1970s," it added.

The copper market's rise, \$32.25 on the week to \$2,636.50 a tonne, was encouraged by mid-week news that workers at Chile's state-owned Chuquicamata mine, the biggest copper producer in the world, had gone on strike in support of a pay demand. Management at Codelco, the state mining corporation, said, however, that Chuquicamata had enough copper in stock to enable it to avoid declaring *force majeure* on shipments to customers for at least two weeks. Earlier metal traders had commented that the mine's exports were too important to the Chilean economy for the government to allow the strike to drag on for long.

Aluminum prices were also strong this week, despite a further substantial rise in LME stocks. The three months delivery price closed yesterday at \$1,26.50 a tonne, up \$5.25 on the day and \$39.25 on the week. Traders told Reuters, however, that the market needed to overcome resistance at the previous support level of \$1,660.65 a tonne to look "fully constructive".

At the London Commodity Exchange cocoa futures put in the strongest performance. The July delivery contract rose \$8 yesterday to \$1,104 a tonne, up \$9 on the week but still \$9 short of the 21-month high reached at one point on Thursday.

Traders suggested that the bulls were betting on a supply squeeze biting before new harvest supplies began to arrive from West Africa, Latin America and South-East Asia.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest price	Change on week	Year ago	1995 High	1995 Low
Gold per troy oz.	\$393.20	+1.20	\$389.20	\$415.40	\$373.00
Silver per troy oz.	355.85p	+1.25	375.50p	393.80p	277.80p
Aluminum (50,000 t) (cash)	\$1,020.50	+1.20	\$1,000.00	\$1,040.00	\$977.00
Copper Grade A (cash)	\$2,782.5	+8.50	\$2,722.5	\$2,910.0	\$2,495.5
Lead (cash)	\$398.0	+5.50	\$395.50	\$402.5	\$390.5
Zinc (cash)	\$814.00	+12.75	\$705.00	\$820.50	\$745.00
Nickel (cash)	\$1050.0	+10.0	\$1025.50	\$1082.00	\$980.50
Copper Future May	\$362.50	+8.00	\$367.50	\$395.00	\$356.00
Gold Future May	\$1,020.50	+1.20	\$1,000.00	\$1,040.00	\$977.00
Silver Future May	355.85p	+1.25	375.50p	393.80p	277.80p
Crude Oil Future May	\$120.25	+1.25	\$118.00	\$122.50	\$115.00
Gold Future Jun	\$393.20	+1.20	389.20	\$415.40	\$373.00
Silver Future Jun	355.85p	+1.25	375.50p	393.80p	277.80p
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Crude Oil Future Sep	\$120.25	+1.25	\$118.00	\$122.50	\$115.00
Gold Future Oct	\$393.20	+1.20	389.20	\$415.40	\$373.00
Silver Future Oct	355.85p	+1.25	375.50p	393.80p	277.80p
Crude Oil Future Oct	\$120.25	+1.25	\$118.00	\$122.50	\$115.00
Gold Future Nov	\$393.20	+1.20	389.20	\$415.40	\$373.00
Silver Future Nov	355.85p	+1.25	375.50p	393.80p	277.80p
Crude Oil Future Nov	\$120.25	+1.25	\$118.00	\$122.50	\$115.00
Gold Future Dec	\$393.20	+1.20	389.20	\$415.40	\$373.00
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FINANCIAL TIMES

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Saturday May 4 1996

Mr President sitting pretty

How the lowly have risen. Eighteen months ago, it was barely possible to conceive of US President Bill Clinton winning a second term this November. These days it is difficult to imagine anything else.

Mr Clinton's comeback shows him to be a man of rare – if intermittent – political skill. But rarest of all is his sheer luck, not least the economic variety.

The US has now entered its 82nd month of consecutive growth, making this the longest peacetime expansion without a single quarter of negative growth since the 1960s. This week's economic data provided very little indication that the winning streak will be broken any time in the near future.

Mr Clinton could hardly ask for a more benign constellation of moderate inflation and highly respectable growth in output and employment, as he enters the last six months of the campaign. Yet, being a politician, he surely does want more: more rapid growth, and crucially, larger wage rises for the beleaguered American workforce. The fear among investors, so evident in US financial markets this week, is that he will get his wish.

Bond prices plummeted on Thursday at the news that the economy had performed a good deal better than expected in the first three months of this year. Real gross domestic product was revealed to have grown at an annualised rate of 2.8 per cent in the first quarter, a good percentage point higher than most Wall Street economists had predicted.

In the frenetic trading which followed, yields on the very long-term (30-year) bond rose above 7 per cent for the first time in nearly a year. Less predictably, perhaps, the Dow Jones Industrial Average followed suit, ending the day over 75 points down.

Investors were only partly appeased by yesterday's 2,000 increase in non-farm employment in April. True, the increase was some 100,000 or so lower than expected, but it was not lost on traders that the six-figure job growth in each of the previous two months had been revised upwards even further.

Less worried

The markets' reaction to the good economic news provides Mr Clinton with something of a conundrum. For, much though he may delight in signs of a renewed upturn, he could clearly live without a pre-election rise in short and long-term interest rates.

As far as short-term rates are concerned, futures markets are indeed now predicting a roughly

Meagre growth

A closer examination of the new GDP data provides further arguments against the overheating hypothesis. Companies do appear to have been able to sell many of the stocks they were landed with at the start of the year. But, amid meagre growth in investment and wages, reduced public spending and rising consumer debt it is difficult to see where a sustained surge in US growth would come from.

Mr Clinton, then, has grounds for at least hoping that Mr Greenspan will not rain on his re-election parade. But he can expect fewer favours from the bond market, unless, perhaps, he manages to persuade the Republicans to agree on precisely how to balance the federal budget over the next seven years.

Mr Clinton has little to lose – either in the financial markets, or in the opinion polls – in pressing the Republicans to come up with such a deal. He won the budget war of 1995-96 hands down, by allowing the Republicans to go too far in their assault on, among other things, the social safety net and the environment. The Republicans accepted last week's agreement because they could see there was no more political mileage in such a confrontation.

If Mr Clinton's opponent, Senator Bob Dole, accepts the budget challenge and there is an agreement, his case for replacing Mr Clinton is inherently weakened. If he balks, the president can again say the Republicans are not really serious about responsible negotiations to balance the budget.

The most likely outcome is much posturing on both sides, leading to a stalemate until the election. The good news for Mr Clinton is that the latter might help him win. The bad news for the US economy is that it will leave the underlying fiscal problem unresolved.

But technological change is altering the sector's economics. The

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please see fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Fashionable vehicle for good reason

From Mr Charles Steer.

Sir, "Sloanes" lead the fashion for multi-purpose vehicles with good reason ("into another galaxy", April 27/28). They're not all daft enough to want to scorch about with their bums a few inches above the road – their passengers cramped chin on knee – now that they can travel sitting in comfort, high enough to see over hedges (or to look down on the police), yet still as fast as the law allows.

Renault's Espace started a French revolution, all carmakers are bound to follow, while British innovation seems to have slipped out of sight. Rolls-Royce might have remained the "world's best car" had it adopted a similar plan, instead of trying to bludgeon its way into the market with a 40-year-old concept that lost out to the stretch limousine. Now it's to be just another Deutsche Marque.

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Challenge of the Internet for schools

From Prof Ippi Wakabayashi.

Sir, There are a number of important issues that arise from Tim Jackson's interesting article "A bow and arrow plus the three Rs" (April 29). Wiring up schools today offers a fascinating business opportunity. Computer hardware and software makers, Internet access providers, and other Net-related industries are expecting to develop a huge untapped market in the schools.

But introducing the Net into a knowledge-based culture might be the modern equivalent of the bow and arrow introduced into a spear-based hunter economy. Every "hunter" will need the skills to use

a bow and arrow. Basic skills and fundamental knowledge to handle information have become more and more important in the Net age. The Net is an extremely large information labyrinth. Children are likely to lose their way in it.

They have to be able handle information for themselves, not just know how to handle a computer. This is the key point.

Unfortunately, it is technology-oriented people who teach computer classes in many schools today. Basic intellectual skills like reading, writing and calculating or logical thinking need a cyber "bow and arrow".

Teachers must teach children

how to move around the Net and how to search for information. I believe wiring up schools is a good thing; every schoolchild can then enjoy his or her own globalized virtual library on the Net. But in this context it will become important that PCs are replaced by the cheaper, easy-to-use Net navigating tools in the near future.

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Kanagawa 253,
Japan

Culture of the Bushmen must be protected

From Dr Anne-Carole Chandler.

Sir, Lucia van der Post's information about the fate of the Bushmen in Botswana ("Who will guard the land when we are gone?", April 27/28) is deeply distressing. Anyone who has read her father's eloquent books and has seen the Bushmen's cave paintings in remote, mountainous areas of South Africa, will appreciate the

tribulations of the gentle, unthreatening Bushmen.

We can learn much from stone-age cultures that may not immediately seem vital, but undoubtedly is. They are so fragile and vulnerable that we must protect them because we cannot afford to lose their knowledge and skills.

As a start, we can ignore Botswana as a tourist destination

until the Bushmen there are free from persecution, and support financially movements to help them retain their natural way of life.

Anne-Carole Chandler,
Achaudunie House,
Ardross,
By Alness,
Ross and Cromarty,
Scotland IV17 0YB, UK

UK should prepare itself better for integration with Europe

From Mr John Nugée.

Sir, Joe Rogaly's concluding prediction in his piece "More money than votes", April 27/28 – that the UK will not take part in the first part of Emu, but will eventually be clamouring to be let in, on Brussels' terms, when everyone else has already joined – is likely to prove as true as it is sad. It is, after all, the UK's usual policy with everything

European-style monetary policy. And there is nothing wrong with saying "We are not ready to take part yet". The true tragedy for the UK is that it has never made use of the breathing space to change its way of life so that it is ready; in other words, so that when the country finally joins, as it will inevitably have to in due course, it will be with a more compatible

economy and financial system. Why can the UK's politicians not prepare for European integration and try to make the country a bit more European, so that joining Europe in any of its great ventures is less of a struggle against an alien culture?

John Nugée,
2101 Bamboo Grove,
82 Kennedy Road, Hong Kong

COMMENT & ANALYSIS

Policy of getting together

The merger between Sun Alliance and Royal is likely to launch a wave of consolidation in the UK insurance industry, says Ralph Atkins



Richard Gamble
Royal Sun Alliance chief executive

Yesterday's £5bn agreed merger between Sun Alliance and Royal Insurance has provided a sudden shot of adrenaline for the UK insurance sector.

The two companies have seized an opportunity long apparent to many in the sector: as in banking, there are deals possible that can cut costs and increase clout in competitive markets.

"It is one of the most exciting situations in insurance for a long time," says Mr Richard Gamble, Royal's chief executive.

By joining forces, Mr Gamble and Mr Roger Taylor, Sun Alliance's chief executive, have opened a new chapter in the history of the UK's "composites" – insurers which combine general and life operations. The last substantial consolidation move was Sun Alliance's £400m acquisition of Phoenix in 1984.

For the past decade, the composites have been preoccupied by problems such as heavy losses on domestic mortgage indemnity business caused by the housing slump. A succession of natural catastrophes, including severe storms in 1987 and 1990, combined with falling premium rates in the early 1990s to further erode profits and drive several companies deep into the red.

But in the past two years, UK profits have soared on the back of higher premium rates and lower claims. Balance sheets have strengthened and a new generation of managers has emerged. Mr Gamble, the longest serving, became chief executive only in 1992.

Yesterday's stock market reaction, which saw sharp price rises across the sector, reflected a widespread expectation that the Royal/Sun Alliance deal may now trigger a wave of similar moves. The last big wave of consolidation in the late 1950s and 1960s included the merger of Sun and Alliance. Guardian's link with Royal Exchange, and Royal Insurance's acquisition of London and Lancashire.

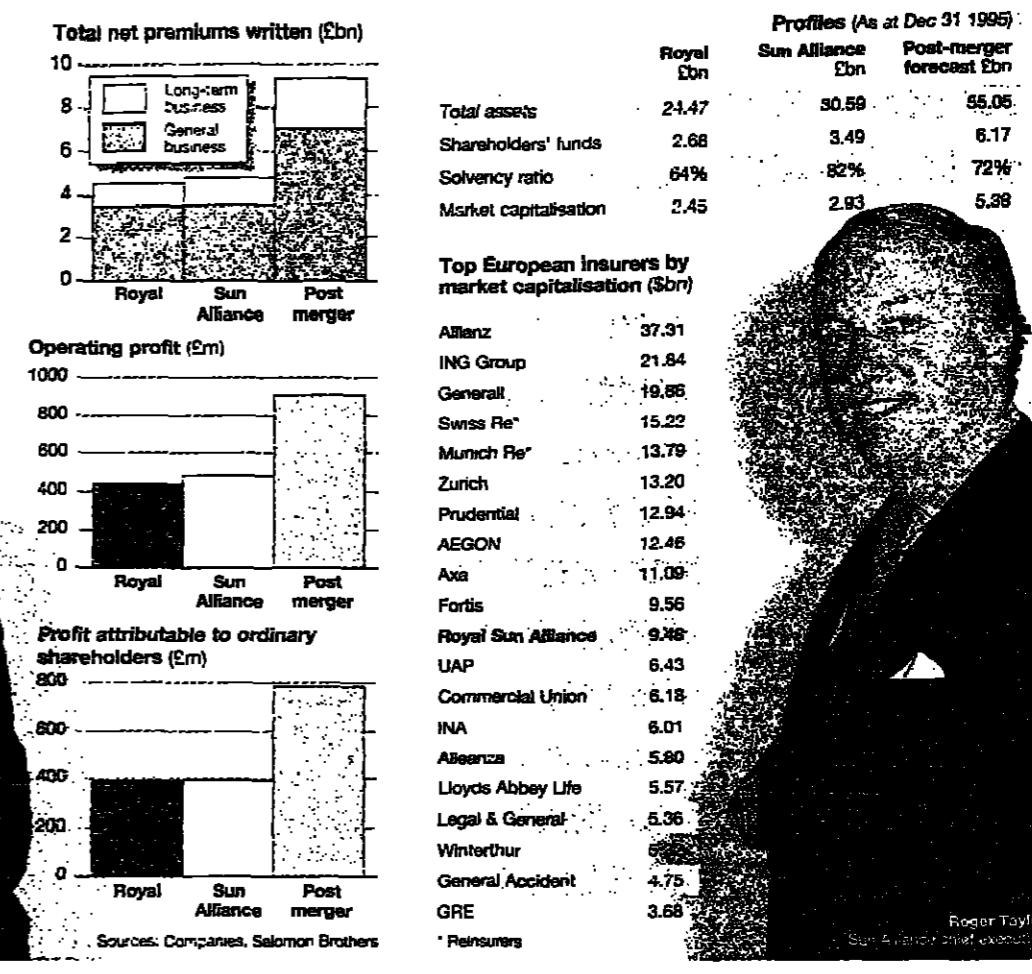
Shares in Guardian Royal Exchange and General Accident, the Perth-based composite, ended up 38p at 271p and 25p at 647p respectively on speculation that they may feel compelled to merge to gain similar expense advantages.

The case for consolidation is strong. Royal Sun Alliance envisages proportionately bigger cost savings than last year's merger of Lloyds Bank and TSB. Some £175m a year, equivalent to about 10 per cent of the combined costs of the two companies – is expected to be topped by 1998. This will be achieved largely by cutting 5,000 jobs, or about 11 per cent of the worldwide workforce.

Similar cost savings would not have been possible in the past. Unlike banks, insurance companies do not have a network of high street branches to streamline. Traditionally, a large chunk of insurers' expenses – those associated with handling agents or brokers – have varied according to the volume of business.

But technological change is altering the sector's economics. The

Royal Insurance and Sun Alliance: a new chapter



the latter group chief executive. Such a top-heavy management structure may be appropriate during the process of integration; longer term it is unlikely to prove fleet of foot and could be a recipe for internal feuding. Rival insurers expressed scepticism about whether the cost savings Royal Sun Alliance had identified were achievable.

The merger with Royal will help allow Sun Alliance's US assets to be used to develop Royal's existing US business. However, there was disappointment in the City that the combined group was not repaying funds to shareholders.

By reducing the number of UK insurers, yesterday's deal might reduce the pressure to chase market share – Royal Sun Alliance will have roughly a 20 to 25 per cent market share. But it will have only a marginal impact on competition, says Mr Andrew Pitt, insurance analyst at Salomon Brothers. "If anything, Royal Sun Alliance will be a more efficient player. The effect will be to allow them to be competitive. It doesn't take capacity out of the market."

The second danger posed by the deal is that it will result in an unwieldy corporate structure. All 11 of the two group's executive directors are remaining – although five will be senior managers rather than directors and two will be working as consultants. Neither Mr Taylor nor Mr Gamble appear willing to relinquish control. The former will become executive deputy chairman;

the latter group chief executive. These issues will have to be addressed if Royal Sun Alliance is to realise its ambition to become an increasingly global insurance company. For now, there is no UK composite that approaches the size of Germany's Allianz or Italy's Generali. Yesterday's deal may revitalise the sector – but it is only a beginning.



Summer Opera Trips with the Financial Times

July & August 1996

Following earlier successful visits with our readers to opera festivals, the *Financial Times* is again organising two invitations to the open this summer. The first to North America in July, and the second to Sweden in August.

Glimmerglass (from 18th – 22nd July) is regularly hailed as America's Glyndebourne, internationally acclaimed for its innovative and beautiful productions – an adventurous company with the highest artistic standards attracting a variety of talented directors, and some of the most promising young American performers. The focus of our operatic experience in the intimate 900 seat Alice Busch Opera Theatre set on the northernmost shores of Cooperstown's scenic Lake Otsego, where we will attend three opera performances: *Jack Beeson's Lise Borden*, *Mozart's La Finta Giardiniera* and *Donizetti's Don Pasquale*. The first class Otesaga Resort Hotel will be our base during our stay in Cooperstown.

We return to the delightful festival in Drottningholm, where the *Financial Times* has reserved seats for two performances this season (8 – 11th August): an evening concert with the acclaimed soprano Anne Sofie von Otter, and a performance of Gluck's *Orphée et Eurydice*. Performances in the Court Theatre, built in 1776 by King Gustav III, appear to have changed little from the days when Drottningholm was first conceived as Sweden's answer to Versailles.

Holiday cost is £1,295 (Glimmerglass) and from £675 (Drottningholm). Prices are per person sharing a twin or double room with bath and wc, on a bed, breakfast and dinner basis (for Glimmerglass) and b&b only (for Drottningholm), and includes return scheduled air travel, transfers and orchestra stall opera/concert tickets.

These holidays are organised on behalf of the *Financial Times* by J.M.B Travel Consultants Ltd ATOL 3539. The information you provide will be held by us and may be used by other select quality companies for mailing purposes.

To: Nigel Pullman, *Financial Times*, Southwark Bridge, London SE1 9HL

WORLD STOCK MARKETS

INDICES

	May 3	May 2	May 1	High	1996	Low
Japan						
Topix(4/1/88)	103	1085.80	1097.61	1718.00	35/4	1524.12 13/3
2nd Section(4/1/88)	103	2243.28	2239.38	2243.28	25	1982.76 14/3
Malaysia						
KLSE Comp(4/4/89)	1178.43	1186.13	1188.54	30/4	983.18 2/1	
Mexico						
IPC(Nov 1978)	107	3162.57	107	3284.48	19/4	2735.35 8/3
Netherlands						
CBS TIR(Ran/End 83)	612.4	614.8	614.5	614.80	25	538.58 2/1
CBS All Shs(End 83)	368.4	370.3	370.2	370.30	25	328.78 2/1
New Zealand						
Cap. 401(7/78)	2139.92	2147.73	2143.13	2203.88	4/1	2044.71 24/1
Norway						
Oslo Selbnd(2/1/83)	1429.35	1433.62	1444.72	29/4	1259.68 30/1	
Philippines						
Manila Comp(2/1/85)	2975.56	2986.0	10	3016.83	16/4	2578.97 2/1
Portugal						
BAL 30/4/1993	1846.55	1842.57	10	1846.55	3/5	1692.81 2/1
Singapore						
SES All-Spore(2/4/75)	583.28	588.53	10	610.37	5/2	553.88 3/1
South Africa						
JSE Gold(28/9/78)	1963.37	1961.5	10	1963.30	3/5	1346.40 2/1
JSE Ind(28/9/78)	8204.57	8307.5	10	8738.20	23/1	8008.40 2/1
South Korea						
Korea Composite(4/1/80)	965.57	961.52	10	985.03	29/4	838.87 13/3
Spain						
Madrid SE30(1/2/85)	356.43	10	10	361.78	29/4	323.75 11/1
Sweden						
Afternoon Sem(1/2/87)	1950.3	1953.4	10	1953.48	3/5	1768.80 22/1
Switzerland						
Swiss Bk Ind(31/12/89)	1740.86	1757.25	10	1778.54	26/4	1518.18 17/1
SBC General(1/4/87)	1234.75	1245.44	10	1259.88	26/4	1114.47 25/1
Taiwan						
Weighted(7/30/95)	6131.45	6081.71	6114.14	6182.70	29/4	4990.22 6/2
Thailand						
Bangkok SET(30/4/79)	1318.59	1319.23	10	1415.04	6/2	1247.29 13/3
Turkey						
Istanbul Corp.(Jan 1986)	66445.2	66378.7	10	72006.00	8/4	38778.30 2/1
WORLD						
MS Capital Inst(1/1/70)	10	772.5	775.2	778.40	29/4	725.80 15/1
CROSS-BORDER						
Europix(10/25/1990)	1688.01	1681.27	1679.81	1692.57	36/4	1504.40 11/1
Euro Top(10/02/95/92)	1435.46	1428.06	1451.88	1468.28	36/4	1333.01 11/1
HSCC JC Orgn(31/12/89)	10	382.36	382.49	383.16	16/4	344.18 2/1
HSB Brugs Enrgy(7/1/93)	162.31	162.77	163.11	163.65	22/4	147.55 2/1
OMX						
Open						
Apr	-	1518.00	-	-	-	-
May	-	1510.50	-	-	-	-
SOPPEX						

US INDICES

AFRICA

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Country	Price	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
Afghanistan	8.80	-15	9.95	7.70	4.9	7.4			
Asia	25.80	-26	26	23	23	17.7			
Al. It.	4.40	-10	4.75	3.77					
Al. S. Arab.	13.60	-10	14.75	11.80	15				
Algeria	3.00	-10	3.65	2.90	2.10				
Al. S. Arab.	55.50	-10	58.50	52.50	52				
Al. S. Arab.	35.90	-30	33.40	33.40	32				
Algeria	30.00	-10	31.50	28.50	28				
Algeria	2.00	-10	2.50	2.00	1.5				
Algeria	6.05	-10	7.50	5.00					
Algeria	29.35	-10	32.80	26.50	7.9				
Algeria	15.30	-10	15.45	14.40	4.2	13.7			
Algeria	10.40	-10	11.80	8.80	2.1				
Algeria	37.50	-10	38.50	35.70	35				
Algeria	11.3	-10	12.50	11.50	1.5				
Algeria	14.00	-10	15.80	12.35	4.7	11.5			
Algeria	78.50	-25	81.75	67	3.8	7.6			
Algeria	10.45	-10	10.70	7.50					
Algeria	6.55	-10	7.50	6.35	4.4				
Algeria	1.10	-10	1.25	0.90	0.4				
Algeria	1.35	-10	1.50	1.20					
Algeria	33.05	-10	35.00	31.00	18.2	32.4			
Algeria	10.00	-10	12.50	10.10	1.5				
Algeria	20.15	-10	20.75	19.10	1.5				
Algeria	20.00	-10	20.75	19.10	1.5				
Algeria	7.50	-10	7.75	6.75					
Algeria	1.45	-10	1.50	1.35	0.4				
Algeria	4.25	-10	5.95	4.35	4.4				
Algeria	1.00	-10	1.10	0.90					
Algeria	3.00	-10	3.25	1.90	0.4				
Algeria	0.95	-10	1.10	0.80	0.6				
Algeria	1.35	-10	13.50	12.35					
Algeria	24.50	-10	26.35	14.90	2.2				
Algeria	33.90	-10	37.00	31.70	10.2				
Algeria	26.25	-10	27.85	24.40	2.2	49.8			
Algeria	8.25	-10	8.45	8.25					
Algeria	4.50	-10	5.45	3.15	5.6	13.6			
Algeria	7.80	-10	8.60	5.95	13.3	23.8			
Algeria	7.40	-10	8.50	5.95					
Algeria	5.20	-10	5.70	4.73					
Algeria	2.47	-10	2.75	1.65					
Algeria	62.75	-10	62.50	59.70	25	21.7			
Algeria	10.05	-10	11.00	8.00	1.5				
Algeria	3.1	-10	31.80	26.20	1.4				
Algeria	14.00	-10	17.40	13.25	1.5				
Algeria	26.35	-10	26.35	25.80	3.7				
Algeria	75.00	-10	82.70	73.20	1.5				
Algeria	10.00	-10	10.00	8.45	1.5				
Algeria	7.15	-10	7.75	6.50	7.7				
LAOSIA (May 3 / MYR)									
Algeria	5.80	-10	6.05	4.86	1.7				
Algeria	2.50	-10	2.60	2.00	1.0				
Algeria	12.50	-10	12.85	10.80	2.2				
Algeria	23.90	-10	26.50	20.70	2.2				
Algeria	2.41	-10	2.80	2.00					
Algeria	4.34	-10	4.48	3.62					
Algeria	4.98	-10	5.20	4.24	3.54				
Algeria	6.80	-10	6.10	5.15	1.8				
Algeria	23.40	-10	24.30	18.70	1.5				
Algeria	10.30	-10	11.30	9.50	1.5				
SINGAPORE (May 3 / S\$)									
Algeria	2.17	-10	2.57	2.11					
Algeria	0.50	-10	1.07	0.88	0.9				
Algeria	15.70	-10	17.40	14.80	1.1				
Algeria	2.14	-10	2.60	2.00					
Algeria	3.54	-10	3.63	2.98	0.93				
Algeria	8.10	-10	8.20	5.42	4.0				
Algeria	3.26	-10	8.80	6.85					
Algeria	12.40	-10	14.40	12.10	1.6				
Algeria	18.80	-10	19.40	16.50	0.9				
Algeria	10.90	-10	10.70	8.50	1.5				
Algeria	13.80	-10	15.10	12.70	1.5				
Algeria	23.70	-10	28.50	24.80	1.5				
Algeria	3.40	-10	3.58	3.12	3.61				
Algeria	3.66	-10	3.80	3.36	3.61				
Algeria	3.95	-10	4.18	3.73	1.50				
Algeria	13.40	-10	15.10	13.73	1.50				

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Standard & Poor's *Composite Guide*.

AMERICA

Dow tepid in its response to jobs data

Wall Street

US shares were generally flat in midsession trading yesterday although fears of an interest rate increase in the short term were largely erased by a surprisingly weak report on April job growth.

From *The New York Times*

Both Microsoft and Intel, the two largest capitalised stocks on the Nasdaq, posted strong gains in early trading. Microsoft advanced \$2.21 at \$114 and Intel added \$1 at \$69.

Removal of the threat of

tighter monetary policy cheered interest-sensitive commercial bank stocks, which were among the hardest hit in Thursday's tumble. Chase Manhattan Bank rose \$1 at \$66. NationsBank was \$1.25 stronger at \$78.50 and Bankers Trust advanced \$1 at \$68.

Cyclical issues were also stronger with the Morgan Stanley index of cyclical shares rising 0.9 per cent, compared to a 0.6 per cent increase in the counterpart index of consumer shares. Rising cyclical stocks included Aluminum Company of America, \$1.25 stronger at \$82.40, Boeing, up \$1.25 at \$78.50, Du Pont, which added \$1.25 at \$80 and Union Carbide, up \$1.25 at \$46.90.

Shares in SmithKline Beecham fell \$1.25 to \$49.25, adding to the \$3.25 they fell on Thursday after a Food and Drug Administration panel recommended against allowing the pharmaceutical company to market a treatment for congestive heart failure.

From *The New York Times*

the Pacific Stock Exchange index of technology shares climbing 1.4 per cent.

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. § Bargains done the previous day.

British Funds, etc

Treasury 13 1/2% Stk 2000/03 - £121.11

Corporation and County Stocks

Birmingham District Council 11 1/2% Red Stk - £122.11 (28Apr96)

Dudley Metropolitan Borough Council 1% Ln Stk 2000/03 - £181.4

Leeds City Council 7 1/2% Ln Stk 2019/20 - £31.5 (1My96)

Salisbury City 7% Ln Stk 2019/20 - £22.2

Salisbury City 6% Ln Stk 2027/31 (Reg Int Cst/P/P) - £32.15

Foreign Stocks, Bonds, etc (coupons payable in London)

Abbey National Treasury Servs PLC 6% Gnd Gnd Bds 2000/03 Bt & Vary - 5974 (28Apr96)

Abbey National Treasury Servs PLC 7.5% Gnd Bds 1998-2003 Bt & Vary - 5974 (28Apr96)

Abbey National Treasury Servs PLC 8% Gnd Bds 2003 (Bt & Vary) - 5974 (28Apr96)

Anglo American PLC 8% Bds 2000/03 (Bt & Vary) - 5974 (28Apr96)

ASDA Group PLC 5% Bds 2002/03 (Bt & Vary) - 5974 (28Apr96)

ASDA Group PLC 5% Bds 2003/04 (Bt & Vary) - 5974 (28Apr96)

British Airways PLC 10% Bds 2000/03 (Bt & Vary) - 5974 (28Apr96)

British Gas PLC 8% Bds 2000/03 (Bt & Vary) - 5974 (28Apr96)

British Gas PLC 8% Bds 2003/04 (Bt & Vary) - 5974 (28Apr96)

British Petroleum PLC 6% Bds 2000/03 (Bt & Vary) - 5974 (28Apr96)

British Petroleum PLC 6% Bds 2003/04 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2000/03 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2003/04 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2004/05 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2005/06 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2006/07 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2007/08 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2008/09 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2009/10 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2010/11 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2011/12 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2012/13 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2013/14 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2014/15 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2015/16 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2016/17 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2017/18 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2018/19 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2019/20 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2020/21 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2021/22 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2022/23 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2023/24 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2024/25 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2025/26 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2026/27 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2027/28 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2028/29 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2029/30 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2030/31 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2031/32 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2032/33 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2033/34 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2034/35 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2035/36 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2036/37 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2037/38 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2038/39 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2039/40 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2040/41 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2041/42 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2042/43 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2043/44 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2044/45 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2045/46 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2046/47 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2047/48 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2048/49 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2049/50 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2050/51 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2051/52 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2052/53 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2053/54 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2054/55 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2055/56 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2056/57 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2057/58 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2058/59 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2059/60 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2060/61 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2061/62 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2062/63 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2063/64 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2064/65 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2065/66 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2066/67 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2067/68 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2068/69 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2069/70 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2070/71 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2071/72 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2072/73 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2073/74 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2074/75 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2075/76 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2076/77 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2077/78 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2078/79 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2079/80 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2080/81 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2081/82 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2082/83 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2083/84 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2084/85 (Bt & Vary) - 5974 (28Apr96)

British Telecom PLC 10% Bds 2085/86 (Bt & Vary) - 5974 (28Apr96)

MARKET REPORT

Big insurance merger cushions market slide

By Steve Thompson,
UK Stock Market Editor

London's equity market suffered another significant setback yesterday but the fall was limited by the surprise announcement of a £5.5bn merger between Sun Alliance and Royal Insurance, two of the UK's biggest composite insurers.

The insurance merger news was the latest in a series of bombshells to hit the market over the past two trading sessions and provided a substantial cushion for the FT-SE 100 index, which includes seven pure insurance stocks. Several banks, as well as BAT, the tobacco group, have large-scale insurance interests.

TRADING VOLUME IN MAJOR STOCKS

Vol. Change % Day's range

ASDA Group 170 409 -1.2 517 523 -7

Avastor 5,400 113 -0.5 500 507 -1

Barclays 4,500 113 -1.4 510 517 -1

Barclays Bank 670 496 -1.4 510 517 -1

Barclays Corp 25 577 -1.4 510 517 -1



FINANCIAL TIMES

Weekend May 4/May 5 1996

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Sun Alliance and Royal Insurance tie-up set to cost 5,000 jobs

UK insurers agree £6bn merger

By Ralph Atkins in London

Sun Alliance and Royal Insurance yesterday announced plans for a £25bn (\$39.1bn) merger which is expected to yield substantial cost savings and lead to the loss of 5,000 jobs.

The deal, expected to herald a fresh wave of restructuring in the UK financial services sector, marked the first consolidation among composite insurers since Sun Alliance's acquisition of Phoenix Insurance more than a decade ago.

It will propel the combined group closer to the top league of European insurers, such as Allianz of Germany, Generali of Italy and Zurich of Switzerland. The move fuelled speculation that other mergers would follow, prompting steep rises in shares of rival insurers.

The merged group, Royal Sun Alliance, would have premium income of £4.4bn and overtake Commercial Union to become the UK's largest composite insurer, combining life and general business. On 1995 figures, pre-tax operating profits would have been £205m.

Royal and Sun Alliance entered informal discussions at the end of last year. But the merger move surprised analysts, who had expected Sun Alliance to acquire Friends Provident, the mutual life insurer - a deal which has now been more or less ruled out.

The two groups' shares rose sharply on the back of expected cost savings worth £175m a year by 1998. The combined group's size will increase its ability to stave off price competition in UK insurance, perhaps reversing recent premium price weakness.

It may also be better placed to seize overseas expansion opportunities. Royal's shares ended up 67p at 437p and Sun Alliance up 55p at 414p.

The scale of the job cuts, most of which will be in the UK, attracted criticism from trade unions. Mr Alan Piper, assistant general secretary at finance union Bifc, which represents 800 Sun Alliance workers, said: "Staff will pay the price as the merged company cuts costs and goes for greater profits."

The OFT last night confirmed it would study the bid to see whether it should recommend a referral to the Monopolies and Mergers Commission. The two groups said competition issues were not expected to be a problem, except possibly in specialist boiler engineering insurance.

Mr Roger Taylor, Sun Alliance's chief executive, will become executive deputy chairman. Mr Richard Gamble, Royal's chief executive, will have the same position but will report to Mr Taylor. Sir Christopher Benson, chairman of Sun Alliance, will chair the group.

Royal Sun Alliance expects to pay a dividend of at least 19p a share this year. Under the merger, expected to become effective in August, a holder of 1,000 Royal Insurance shares will hold 1,067 Royal Sun Alliance. A holder of 1,000 Sun Alliance shares will hold 1,000 of the new group's shares.

Royal Insurance is advised by Baring Brothers and Sun Alliance by NM Rothschild.

Insurance merger, Page 6
Editorial comment, Page 8
See Lex

Major to stand firm despite rout of Tories in local polls

By John Kampfner in London

The UK government will yield no further concessions to Eurosceptics in the ruling Conservative party and will not undergo a radical cabinet reshuffle in spite of the Tories' rout in the local council elections, Mr John Major made clear yesterday.

Hours after the Tories' second worst performance in any national poll, the prime minister met senior strategists at the start of a year of dogged campaigning in the run-up to the next general election.

Mr Major declared his government would serve its full term, to April or May 1997, and that he would lead the Tories to victory.

Thursday's voting has left the Conservatives without a single seat in 50 councils. Out of the 1,016 seats they were defending across England, 567 were lost. The opposition Labour party gained 459 councillors while the Liberal Democrats gained 147.

However, so low were expectations that ministers and back-

benchers were able to portray the outcome as signifying the start of a fightback.

They pointed to the Tories' share of the vote improving to 27 per cent from last year's all-time low of 25 - even though that leaves the Conservatives 16 points adrift of Labour.

Mr Tony Blair, the Labour leader, described the results as "spectacularly bad" for the Tories, but added: "Our task is not to bask in victory." He predicted the government would try to "stagger on".

The mood among Tory MPs was grim, but just short of panic. Even Mr Major's most ardent detractors acknowledged there was now little prospect of persuading him to stand down.

One rightwing minister said: "It's depressing but not beyond hope. What we need now is a few months without disasters, a good budget and for all our MPs to shut up about Europe."

A close colleague of Mr Major said the prime minister was determined to present his Europe

policy as coherent, and not a compromise between extreme sceptics and Euro-enthusiasts.

Mr Major - who has a majority in the Commons of just one - will seek to rally his forces in a speech to the Scottish Conservative conference next weekend.

Mr John Redwood, the former Welsh secretary who challenged Mr Major a year ago, stressed that while he considered the leadership issue now closed he would continue to press for a realignment of policy.

Mr Michael Portillo, defence secretary, who is seen as a possible future candidate of the right, called for an end to infighting.

Ministers are pinning most of their hopes on an economic upturn. Mr Major acknowledged tax rises had caused pain but, in a series of interviews yesterday, he said: "The rewards are on their way. I intend to stay here until the rewards are through."

Brave face on disaster, Page 9
Philip Stephens, Page 9
Joe Rogaly, Weekend FT Page 1

Jobs figures ease fears of US rate rise

Continued from Page 1

while consistent with moderate growth, damped concern the economy was overheating and were seen as reducing the risk of an early rise in interest rates.

However, the April report was a mixed blessing for bond investors because it contained further evidence of an acceleration in wage inflation. Average hourly earnings rose 0.8 per cent taking the annual rate of increase to 3.1 per cent. Economists at Columbia University yesterday also reported the first increase in their leading index of inflation in 15 months.

The Labour Department said employment in construction and manufacturing fell by 53,000 and 17,000 respectively last month.

The manufacturing decline will have been three times as large but for the return of motor industry workers laid off during March because of the General Motors strike. These job losses were offset by modest job gains in service sector industries.

THE LEX COLUMN

Skimming the froth

Panicking about the US jobs figures is becoming a monthly ritual for Wall Street traders. Just for a moment, it looked as if yesterday's data, showing a mere 2,000 jump in the number of people joining the payroll in April, had been greeted with mild relief. But the apparently benign headline numbers were soon ignored in favour of the rise in average earnings. The market is right to be concerned, having previously more or less bought the story that companies' strong earnings growth was not feeding through into higher salaries for their employees.

In fact, the long bond yield has already backed up a full percentage point to just over 7 per cent, due to fears that inflationary pressures will cause the US Federal Reserve to start raising interest rates. Indeed, the September Eurodollar futures contract is now discounting a half-point rise in key interest rates.

But the fact that the market is already preparing the ground for a rate rise is a healthy sign. The increase, when it comes, will not be the shock it was in 1994, and rates are starting from a higher base. The Fed is likely rather than racing to catch up with events, will be fine-tuning the economy. All this suggests that, while prevailing conditions in the bond market are likely to remain bearish, at least the market has priced in plenty of bad news already.

The stock market, on the other hand, having so far defied bond market weakness, appears vulnerable. Shares looked reasonably priced relative to bonds at the start of the year, but the valuation now looks stretched. The mad rush for glamorous but expensive initial public offerings like Yahoo! and Planet Hollywood suggests investors are losing touch with reality. Investors in glitz stocks - Donna Karan is next in line - will certainly be brought down to earth with a bump when the turn comes.

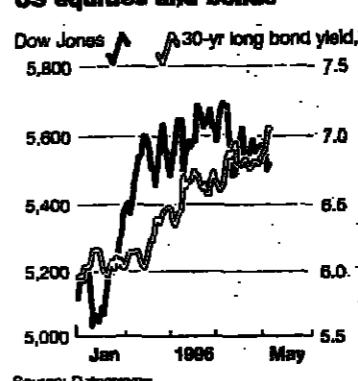
That said, the reversal in stock prices, when it comes, will be driven by bond weakness rather than by any fundamental overvaluation of the broad equity market. Once the bond market regains stability, it will once again provide a floor for equities.

UK insurance

Royal Insurance and Sun Alliance have done more than a good deal; with luck, they have fired the starting-gun for a much broader consolidation of Britain's insurance industry. The sheer scale of the cost savings promised yesterday - £175m (\$264.25m) a year by 1998, and enough to increase profits by around 20 per cent - means

FT-SE Eurotrack 200:
1743.7 (-10.8)

US equities and bonds



other insurers have little excuse not to follow suit.

But these savings plausible? History suggests so: when Sun Alliance bought Phoenix in 1984, costs were cut by 18 per cent in as many months. And yesterday's promises are closely in line with those forecast by Lloyds Bank when it merged with TSB. Of course, lower costs will not mean higher profits for ever, as rivals catch up, the benefits are likely to be quite quickly competed away in lower rates. But yesterday's sharp rises in the Royal and Sun share prices - 18 and 15 per cent respectively - still look justified. For one thing, both stocks looked undervalued before the deal. For another, if the logic of the merger encourages others to get together, the result should be a less pronounced insurance cycle. A market dominated by fewer companies should be less prone to drastic rate-cutting in the downturn. That would be good news for the entire sector.

Potentially much more worrying for the pharmaceutical sector was Thursday's point to this episode it is that SmithKline's original trial programme appears to have been badly designed - an unexpected lapse for a big drug company. But with new products for asthma and ovarian cancer and fresh indications for anti-depressant Paxil all awaiting approval, this looks like a hiccup.

But the deal still leaves two big questions unanswered. The first surrounds management. On present plans, the company will be run by two men: Royal's Mr Richard Gamble will be chief executive, but he will report to Sun's Mr Roger Taylor, who will have the ill-defined role of executive deputy chairman. The duo may be able to pull off this tactical fudge. But it could just as easily end in tears.

The second issue is that the new group is awash with capital.

Even on Sun's conservative measure,

the new business will have a "solvency ratio" - shareholders' funds to premium income - of 72 per cent. If could easily

take this down to, say, 50 per cent

handing back nearly £2bn in cash to

shareholders in the process.

The risk, of course, is that this surplus capital will be blown - for instance, on gran-

Eurotunnel refinancing

Continued from Page 1

between £2.5bn and £3.5bn. In return the banks would receive up to 49 per cent of the shares.

However at the meeting a number of banks expressed concern at the outline plans. They argued that if the banks were to swap such a large sum of debt they should receive more of the shares.

The six lenders in the steering group are National Westminster, Midland Bank, Banque Nationale de Paris, Credit Lyonnais, European Investment Bank and the European Coal and Steel Community.

However a senior banker at one of the two French lead banks said that within the steering

committee there was still some tension. The British side was keener to take a big stake in Eurotunnel and so did those of the small shareholders while the French banks had to be more solicitous of the interests of small shareholders because the latter were predominantly French.

The agreement among the steering group to put their proposals to the company comes after Sir Alastair publicly blamed them for the slow pace of the talks.

The group has been in negotiations with its banks since September, when it suspended interest payments on £160m of debt after deciding that it could not meet its interest payments from revenues for many years.

Astra hit by sex allegations

Continued from Page 1

extremely seriously, of course, and that is why we suspended the chief executive."

Astra said its own preliminary investigation had revealed similar allegations to those made by Business Week. But no evidence of a breach of federal law had so far been found and it would take no action against other named executives until the investigation was complete.

The Astra revelations come only a month after the US Equal Opportunities Agency opened a sexual harassment suit against the US arm of Japan's Mitsubishi Motors. Mr Richard Branson, chairman of the Virgin group, was sued in the US last week by

a former female employee for sexual harassment. Mr Branson has denied the allegations.

The company, the biggest by market capitalisation on the Stockholm bourse, is preparing for a listing on the New York Stock Exchange on May 23, only the second Swedish company to do so after the truckmaker Scania. Its anti-ulcer compound Losac is set this year to become the world's biggest-selling prescription drug. Astra's most-traded A shares fell Skr30.50 to close at Skr304.50.

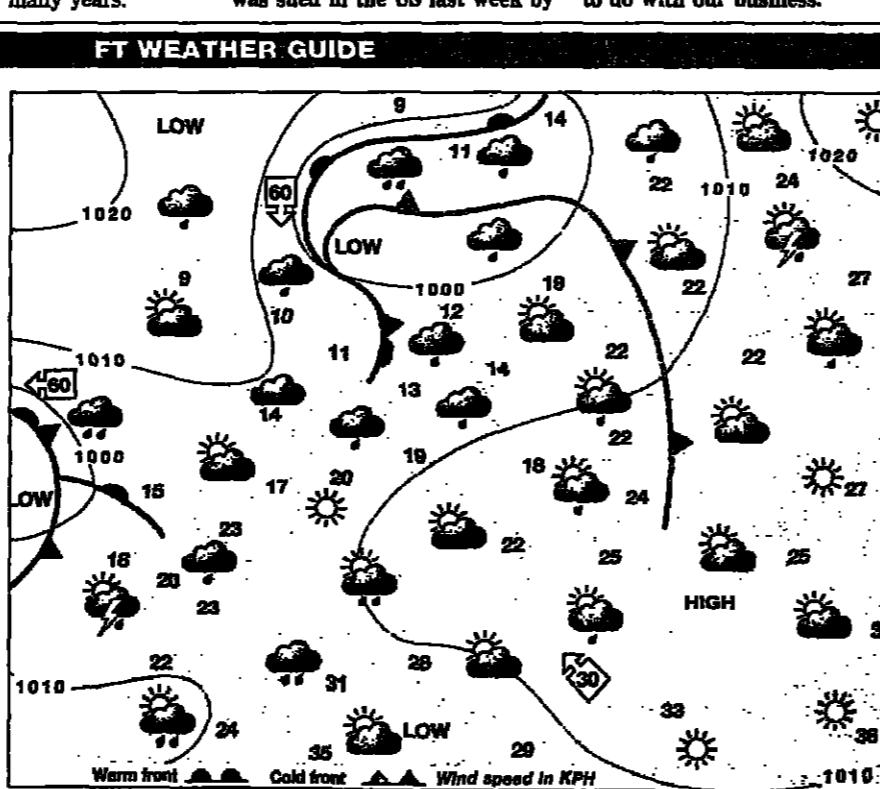
But Mr Terney said: "The reaction from customers, investors and analysts has been cool. They realise this concerns more or less a single person and has nothing to do with our business."

Europe today

A northerly air flow will draw cold, moist air into the British Isles and the Low Countries. It will be mainly overcast with rain in Scotland and eastern England. The flow will be maintained by an area of low pressure over southern Scandinavia. Cloud will stretch from northern Finland across southern Sweden and Germany to the Alps. It will rain in Sweden. A southerly flow will draw warm, humid air into Ukraine and Russia. South-eastern Europe will be warm, dry and sunny. Western France will be dry with sunny spells.

Five-day forecast

There will be showers on Sunday in the south-western part of the Iberian peninsula. On Tuesday it will rain in France and the region south of the Alps. The British Isles will be dry with sunny spells. It will stay warm and sunny in south-eastern Europe.



TODAY'S TEMPERATURES

	Maximum Celsius	Belgrade	Cloudy shower	26	Cancún	Cloudy shower	30	Faro	Cloudy shower	19	Frankfurt	Cloudy shower	21	Freiburg	Cloudy shower	34	
Abu Dhabi	sun 37	Belgrade	fair	23	Cancún	shower	10	Frankfurt	cloudy	13	Malaga	shower	20	Reykjavík	rain	34	
Accra	fair	33	Berlin	cloudy	15	Chicago	cloudy	11	Geneva	drizzl	16	Malta	shower	24	Rio	cloudy	28
Algiers	thund 22	Bermuda	fair	24	Cologne	rain	12	Gibraltar	rain	20	Manchester	cloudy	9	Rome	fair	21	
Amsterdam	cloudy	20	Bogota	cloudy	18	Dakar	sun 30	Hamburg	rain	11	Melbourne	cloudy	20	Seoul	cloudy	19	
Athens	sun 25	Bonny Bay	fair	21	Dakar	fair	30	Hamburg	rain	11	Melbourne	cloudy	27	Singapore	rain	31	
Azores	sun	22	Brussels	shower	11	Delhi	sun	Hamburg	rain	11	Manila	cloudy	37	Stockholm	rain	12	
B. Aires	sun	22	Budapest	fair													